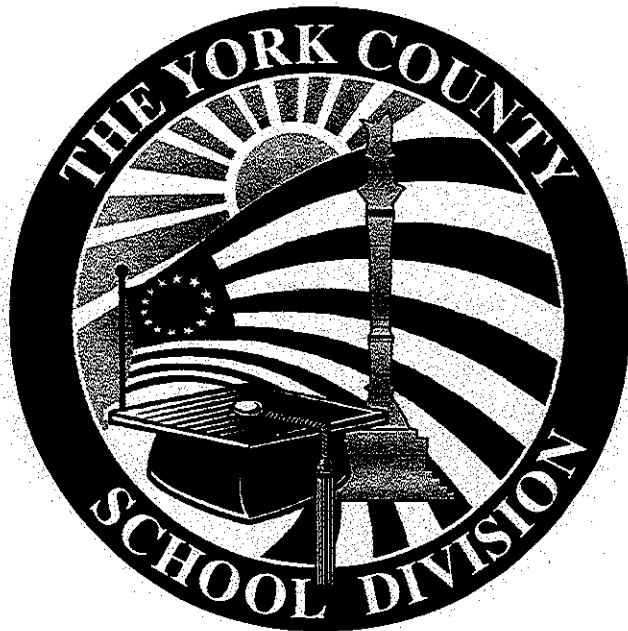


Comprehensive Annual Financial Report



The York County School Division

County of York, Virginia
(A Component Unit of the County of York, Virginia)

*For the Fiscal Year
Ended June 30, 2005*

COMPREHENSIVE ANNUAL FINANCIAL REPORT

The York County School Division

Component Unit of the County of York, Virginia

For the Fiscal Year Ended June 30, 2005

Prepared by the Department of Finance

Dennis R. Jarrett
Chief Financial Officer

Karen L. Hendricks
Senior Budget and Financial Analyst

**THE YORK COUNTY SCHOOL DIVISION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2005**

TABLE OF CONTENTS

PAGE

INTRODUCTORY SECTION

Letter of Transmittal	1-9
Certificate of Achievement for Excellence in Financial Reporting - Government Finance Officers Association	10
Certificate of Excellence in Financial Reporting - Association of School Business Officials	11
Organization Chart	12
Members of the School Division and School Division Officials	13

FINANCIAL SECTION

Report of Independent Auditors	16-17
Management's Discussion and Analysis	19-34
Basic Financial Statements:	
Government-Wide Financial Statements	
Statement of Net Assets – Governmental Activities	37
Statement of Activities – Governmental Activities	38
Fund Financial Statements	
Governmental Fund Financial Statements:	
Balance Sheet – Government Funds	39
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	40
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	41
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	42
Fiduciary Financial Statements:	
Statement of Fiduciary Net Assets	43
Statement of Changes in Fiduciary Net Assets – Pension Trust Fund - Optional Plan	44

Notes to Basic Financial Statements (The notes to the financial statements are an integral part of the basic financial statements)	45 - 67
Required Supplementary Information Other Than Management's Discussion and Analysis:	
Budgetary Comparison Schedule, General Fund - Revenues and Other Financing Sources	70 - 71
Budgetary Comparison Schedule, General Fund – Expenditures and Other Financing Uses	72 - 73
Schedule of Funding Progress for Defined Benefit Pension Plans	74
Schedule of Employer Contributions for Single-Employer Defined Benefit Pension Plan	75
Notes to Required Supplementary Information	76 - 77
Other Supplementary Information:	
Budgetary Comparison Schedule, Capital Projects	80
Budgetary Comparison Schedule, Non-Major Special Revenue Fund	81
Schedule of Changes in Assets and Liabilities – Agency Fund	82

STATISTICAL SECTION

Government-Wide Expenses by Function	84
Government-Wide Revenues by Source	85
General Fund Expenditures by Function	86
General Fund Revenues by Source	87
Property Tax Levies and Collections for the County of York, Virginia	88
Assessed Value of Taxable Property for the County of York, Virginia	89
Property Tax Rates for the County of York, Virginia	90
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita for the County of York, Virginia	91
Ratio of Annual Debt Service for General Bonded Debt to Total General Expenditures for the County of York, Virginia	92
Demographic Statistics for the County of York, Virginia	93
Bank Deposits, Residential and Commercial Construction for the County of York, Virginia	94
Principal Property Taxpayers for the County of York, Virginia	95
Miscellaneous Statistical Data	96 - 98

COMPLIANCE SECTION

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	100 - 101
Report of Independent Auditors on Compliance with Commonwealth of Virginia's Laws, Regulations, Contracts and Grants	102 - 103

INTRODUCTORY SECTION

THE YORK COUNTY SCHOOL DIVISION

DIVISION
SUPERINTENDENT
Steven R. Staples, Ed. D.



YORK COUNTY, VIRGINIA

SCHOOL BOARD

Barbara S. Haywood
District 1
Linda S. Meadows
District 2
Mark A. Medford
District 3
R. Page Minter
District 4
Burrent M. Henry
District 5

October 7, 2005

Citizens of York County and Honorable Members of the School Board of the County of York, Virginia:

The Comprehensive Annual Financial Report of the York County School Division (hereafter School Division), a component unit of the County of York, Virginia for the fiscal year ended June 30, 2005, is hereby submitted. Responsibility for the accuracy of the data and the completeness and fairness of presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the School Division. All disclosures necessary to enable the reader to gain an understanding of the School Division's financial activities have been included.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The School Division's MD&A can be found immediately following the report of the independent auditors.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and compliance. The introductory section includes this transmittal letter, an organizational chart and a list of principal officials. The financial section includes the MD&A, basic and fund financial statements, notes to the financial statements, required supplemental information (RSI) other than MD&A, as well as the independent auditor's report on the MD&A, financial statements and schedules. The statistical section includes selected financial and demographic information, presented on a multi-year basis, where possible. The compliance section includes reports by the independent auditor on compliance and internal control.

The School Division is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996. Information related to this single audit, including the Schedule of Expenditures of Federal Awards, findings and questioned costs, and auditor's reports, is included in the County of York's Comprehensive Annual Financial Report.

Profile of the Reporting Entity and Organization

York County, which was originally named Charles River County, was one of the Virginia's eight original "shires" formed in 1634. It was renamed nine years later in 1643 when the river that determines the County's character was given the name of the then Duke of York. York County has played a major role in the development of the nation. Most importantly, it was the location of the culminating battle of the Revolutionary War and the subsequent surrender of Lord Cornwallis and his British army on October 19, 1781.

York County is located in the Atlantic Coast's "urban crescent" on the beautiful Virginia peninsula. Situated midway between Richmond and Virginia Beach, the county's residents help comprise one of the nation's largest metropolitan areas, commonly referred to as Hampton Roads. York County is one of the fastest growing localities in Hampton Roads and one of the fastest growing in Virginia.

The School Division is responsible for elementary and secondary education within the County. The elected five member School Board, vested with legislative powers, appoints the Superintendent, the executive and administrative head of the public school division. The School Division is fiscally dependent (i.e., it does not have taxing, levying, or borrowing authority). It derives most of its funding from allocations from the County and the Commonwealth of Virginia. The County Board of Supervisors approves the School Division's operating budget, levies the necessary taxes to finance operations, and approves the borrowing of money and issuance of bonds when necessary. The Board of Supervisors is prohibited from exercising any control over specific appropriations within the operating budget of the School Division. However, the Board of Supervisors may exercise control in total by major categories (e.g., Instruction, Pupil Transportation) as prescribed by the Code of Virginia, as amended.

In accordance with the requirements of the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government (the County of York) and its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable (e.g., a component unit that is fiscally dependent on the primary government). The School Division is considered a component unit of the County of York.

This report includes all funds of the School Division. The School Division has no components units for financial reporting purposes.

Economic Condition and Outlook

York County is fortunate to have an expanding commercial and industrial base, while also enjoying affordable and plentiful housing and a moderate cost of living. As members of the dynamic Hampton Roads community, York County citizens have at their fingertips a wide variety of personal, professional and leisure opportunities, including numerous colleges and universities, theme parks, historical areas and much more. During the year, population grew to more than 63,000 and both residential and commercial tax

bases continued to expand. By the year 2007 school enrollment is expected to increase to 12,970 students, 528 more students than the fiscal year 2005 enrollment count.

In May 2004, York County ranked in the top two percent of best counties in a nation-wide quality of life study conducted by American City Business Journals, Inc. York County ranked 37th among the nation's 3,141 counties and independent cities for quality of life among citizens. American City Business Journals' study used 20 categories for the quality of life rating, including median household income, racial diversity, unemployment (York County has very low unemployment), commute times for residents and high school graduation rates.

Economic development in the County remained strong in FY05. The Lightfoot Corridor is a major economic development area and the highlight of 2005 was the opening of the Great Wolf Lodge, which represents a \$62 million investment. The Lodge has been so successful that they have already announced plans to add another 100 suites to the existing 301 family-sized suites. Phase I of the Williamsburg Market Center kicked off with the opening of Home Depot that was closely followed by announcements from Chick-Fil-A and BB&T Bank that they will occupy out parcels. Phase II of the project will be anchored by 52,000 square foot Ukrops grocery store that will open in 2006. At full build out, the Williamsburg Market Center will total 335,000 square feet of retail development. Interest in the International Business Center located next to the Market Center also escalated in 2005. Plans were announced by two separate developers for new office projects. I-Hop, Wachovia Bank and Fairfield Resorts will also build new facilities in the corridor in 2005.

On Memorial Day weekend the County opened its 12 million dollar waterfront, dining and shopping destination "Riverwalk Landing". This new development coupled with an improved public beach has contributed to the economic revitalization of the Yorktown waterfront.

Accounting System

In developing and evaluating the School Division's accounting system, consideration is given to the adequacy of the internal control structure. The internal control structure is designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the School Division's internal control structure adequately safeguards assets and provides reasonable assurance of the proper recording of financial transactions. The accounting system is organized and operated on a function basis. Each function, relating to a specific area of operation, includes a report of appropriations, expenditures, encumbrances, and fund balances for each line item appropriate for that function.

Budgetary Controls

The School Division's budgetary controls are an integral part of the School Division's internal control system. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the School Board and County Board of Supervisors. Activities of the General Fund and Special Revenue Fund are included in the annual appropriated budget. Project-length financial plans are adopted for the Capital Projects Fund.

Major Initiatives

In 2004-05, the York County School Division began work on or continued the expansion of several new initiatives that will help continue the tradition of excellence in York County:

The York County School Division continues to meet the academic requirements of the state, to maintain its own tradition of excellence, and to provide a well-rounded approach to education. The Division has fine-tuned existing academic programs, added new courses to the Program of Studies, consistently correlated its curriculum with the state Standards of Learning (SOL), and provided professional development opportunities that expand the experience and expertise of the Division's instructional staff. Highlights of 2004-05 curriculum and professional development efforts include:

- ◆ Community Survey

In December 2003, the school division commissioned a community opinion survey that was designed to gather information regarding satisfaction with division programs and initiatives and to determine the issues related to public education that our community believed to be the most important. The survey was conducted by an outside marketing research firm to ensure data was properly tabulated and analyzed. The survey results were very positive. Most respondents were either "satisfied" or "very satisfied" with the many aspects of the school division.

- ◆ Curriculum Development

The School Division's curriculum development effort is an ongoing process of development and review that emphasizes the Standards of Learning within a rich instructional program. Curriculum development provides descriptive and reliable guides for teachers and ensures that York County School Division students are taught in a manner that prepares them adequately for SOL tests. As new courses that broaden students' interests and guide them to meaningful and appropriate career paths are added to the *Program of Studies K-12*, curriculum is written for each of these courses. In addition, a comprehensive and user-friendly *Secondary*

Program of Studies Registration and Information Guide, containing all middle and high school courses as well as general academic information, is published to assist students and their parents in planning secondary school course work.

In FY05 the Division revised K-12 English, history, math, science and elective course curriculum guides; created reading and technology workshops for parents of Title I and limited English proficient students; and piloted a bully-proofing program in three elementary schools and three middle schools.

As part of the ongoing process of curriculum review, York River Academy Charter School (YRA) was implemented in FY03 to provide an academic, social and career preparatory education in computer and web-based technology. The program serves students in the 9th and 10th grades that are at risk of not graduating. Students also have the opportunity to earn high school credit and verified credit towards graduation. The York River Academy better defines an at risk population to be served and therefore is able to better prepare these students as productive citizens in the community. In early 2005, YRA began offering dual enrollment with Thomas Nelson Community College. Through this program, students now have the opportunity to earn up to nine semester hours of college credit and professional certification in web design during their tenure at YRA.

◆ Guidance Audit

The School Board goals and objectives provide for the division's commitment to improve guidance services for students. Recent changes in public education such as the state Standards of Learning, state verified credit requirements, and the federal No Child Left Behind Act, prompted an audit of guidance services in the school division. An independent business firm was contracted to complete the audit, which included interviews with building guidance counselors and shadowing guidance staff, and meetings with principals and other related instructional staff.

The audit report contained several recommendations to improve the guidance counseling model utilized in the school division. The recommendations covered many areas such as scheduling, responsibilities of and services offered by guidance counselors, technology utilized in counseling services, training in technology use for guidance counselors, and division-wide guidance policies and procedures.

Implementation of the audit recommendations is anticipated for FY06.

◆ No Child Left Behind

No Child Left Behind (NCLB) legislation requires annual testing of at least 95% of all students to measure progress in reading and math, and requires schools and school divisions to meet targets for achievement in four subgroups. The subgroups are students with disabilities, Limited English Proficient students, economically disadvantaged students (based on free/reduced lunch status), and major racial/ethnic groups.

NCLB sets annual objectives (or targets) for student participation and performance on these reading and math tests. As we move closer to 2014 – the 100%-proficiency deadline – the Annual Yearly Progress (AYP) bar will be raised each school year. For a school or school

division to "make AYP" it must meet or exceed all targets for participation in statewide testing, achievement in reading and math, and attendance (elementary and middle schools) or graduation (high schools). Missing a single target results in a school or school division not making AYP. Eighteen of 19 division schools made AYP last school year.

- ◆ Virginia Standardized Tests (Standards of Learning)

Standards of Learning (SOL) tests are administered to students in grades 3, 5, & 8, and students enrolled in certain high school courses. Students are required to earn a certain number of verified credits to be eligible for a standard or advanced high school diploma. Verified credits for graduation will be based on achievement by the student of a passing score on the required end-of-course SOL tests.

Based on spring 2004 SOL test results, the York County School Division had all elementary, middle, and high schools Fully Accredited. All York County Schools have achieved the state's highest accreditation ranking (Fully Accredited) in school years 2002, 2003 and 2004.

- ◆ Scholastic Aptitude Test (SAT)

The total combined mean of math and verbal scores on the SAT continue to be above the state and national level for York County School Division students.

- ◆ Virtual High School

The York County Virtual High School began in FY03 as a pilot to serve homebound and alternative education students. The goal of the Virtual High School is to offer anytime, anywhere education to all students in York County. Coursework offered on-line by qualified York County teachers provides students with opportunity for expanded course selection and solutions to course conflicts. The Virtual High School (VHS) was expanded in FY05 so more students can take advantage of this new, effective instructional model. The VHS has been so successful that student slots have been purchased by other school divisions and the Commonwealth of Virginia so that students across the state could take advantage of this unique instructional method. The Division anticipates entering into an agreement with WHRO (a public educational media corporation) in FY06 for the sale of Virtual High School programs and coursework for use by WHRO across the state.

- ◆ Division continues to grow with the community.

Several construction projects were started or completed during the 2004-05 school year:

- New, state-of-the-art playground equipment was installed at all 10 elementary schools. The equipment is specifically designed to meet the needs of lower and upper grade elementary students.

- In conjunction with the County Government upgrade of the emergency communication system, the Division purchased and installed a new digital radio system for school buses. Portable radios were also purchased for Division staff with oversight responsibilities during an emergency.
- The construction work for a major renovation and addition at Queens Lake Middle School was completed in fiscal year 2005. Scope of the project included replacement of the roof, HVAC and mechanical system, lighting, floor and ceiling. An additional eight new classrooms were included in the construction. The media center and the school administrative areas were also renovated.
- Began construction of a new band room at Grafton High School.

◆ Future Initiatives

In the future, the School Division will continue to focus resources on maintaining or reducing student to teacher ratios. Available revenues will also be directed toward programs and initiatives that will enhance the School Division's ability to continue to meet or exceed the State Standards of Learning and the requirements of the federal *No Child Left Behind* legislation.

Maintain a competitive compensation plan for licensed and non-licensed staff.

Major facility renovations planned for fiscal year 2006 include the School Board Office building along with classroom additions and renovations at York High School. Major capital improvement projects planned for the future are the addition and renovation of Yorktown Middle School, the renovation of the athletic fields at York High School, and the addition of 10 classrooms to Dare Elementary School. The additional classroom space is needed to meet projected student enrollment increases.

Cash Management

Cash and temporary investments pertaining to the School Division's funds (except school activity account funds) are pooled and invested with the cash and temporary investments of the County. The County Treasurer, through daily activity with several local banking institutions, carries out an aggressive cash management program. Temporary idle funds are invested promptly in repurchase agreements and other instruments that are secured or collateralized by governmental securities as required by the Code of Virginia.

Independent Audit

An annual audit of the books of accounts, financial records, and transactions of all departments of the School Division has been performed by Cherry, Bekaert and Holland, L.L.P., Certified Public Accountants. The auditor's report, which includes their unqualified opinion on the basic financial statements of the School Division, is contained in this report.

Risk Management

The School Board's risk management program is designed to protect the investment of taxpayers by identifying and reducing risks that confront the School Division. The School Board manages the program with a combination of in-house staff and third-party administrators. For fiscal year 2005, the County and the School Division contracted with a third party to administer a joint deductible workers' compensation program with risk of up to \$200,000 for each occurrence subject to a \$600,000 annual aggregate on the combined claims. The County and the School Division continue to effectively manage the joint deductible workers' compensation program.

Financial Reporting Certificate Awards

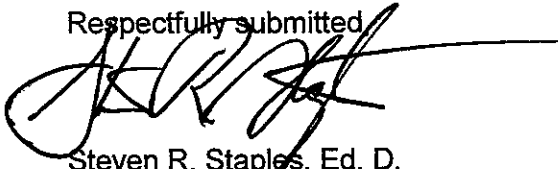
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the York County School Division for its comprehensive annual financial report for the fiscal year ended June 30, 2004. In addition, the Association of School Business Officials of the United States and Canada (ASBO) awarded a Certificate of Excellence in Financial Reporting to the York County School Division for its comprehensive annual financial report for the fiscal year ended June 30, 2004. In order to be awarded a Certificate of Achievement from the GFOA or a Certificate of Excellence from ASBO, a governmental entity must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate is the highest form of recognition awarded in the field of governmental financial reporting.

A Certificate is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate. We also believe that our current comprehensive annual financial report continues to meet the Certificate of Excellence program requirements and we are submitting it to ASBO to determine its eligibility for another certificate.

Acknowledgments

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated service of the entire staff of the Department of Finance. We would also like to thank the members of the School Board for their interest and support in planning and conducting the financial operations of the School Division in a responsible and progressive manner.

Respectfully submitted,

A large, stylized handwritten signature in black ink, likely belonging to Steven R. Staples, written over the text "Respectfully submitted,".

Steven R. Staples, Ed. D.
Division Superintendent

A handwritten signature in black ink, likely belonging to Dennis R. Jarrett, written below the signature of Steven R. Staples.

Dennis R. Jarrett
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The York County
School Division, Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Enen

Executive Director

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL



This Certificate of Excellence in Financial Reporting is presented to

York County School Division

For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2004

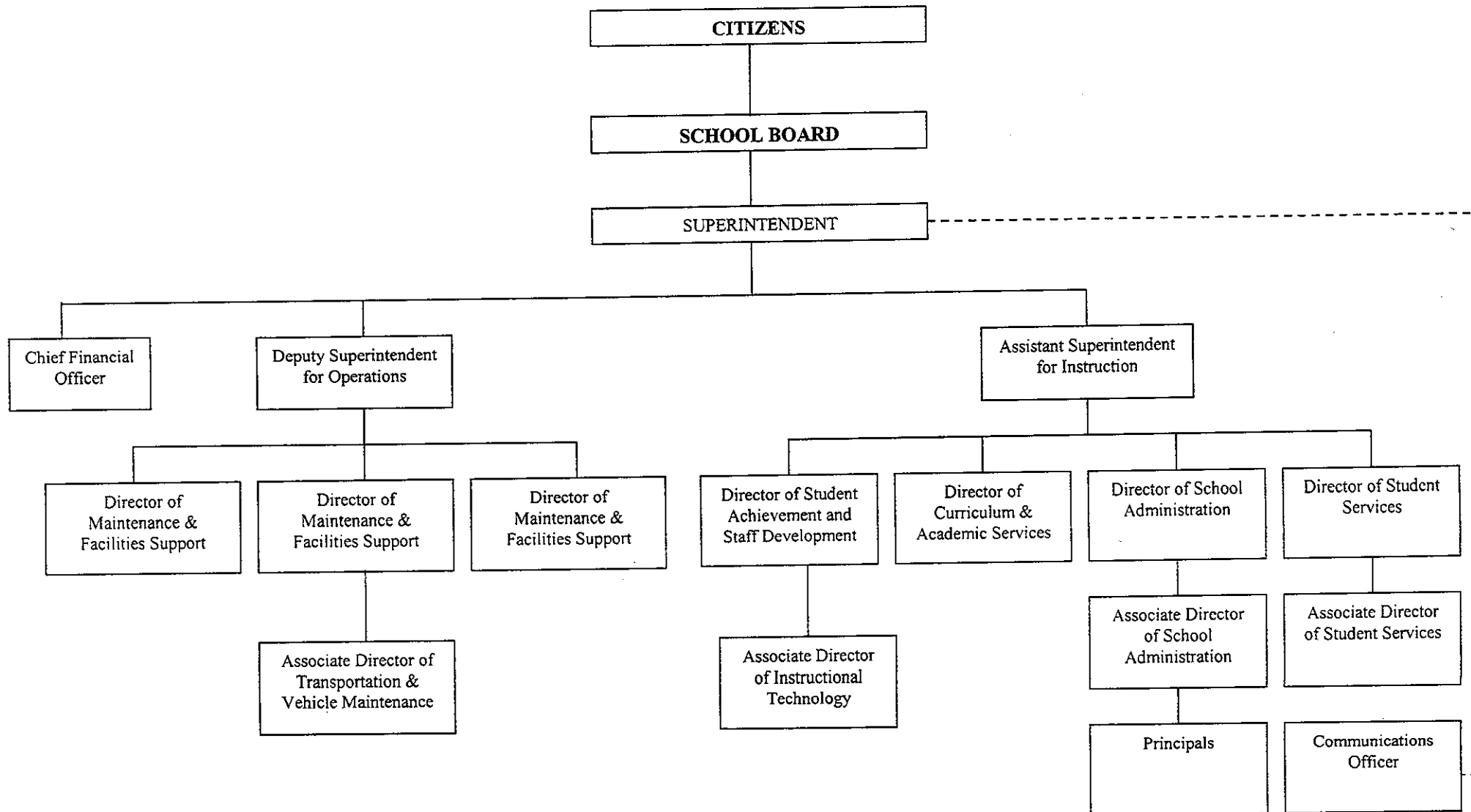
Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

YORK COUNTY SCHOOL DIVISION ORGANIZATION CHART

As of June 30, 2005



THE YORK COUNTY SCHOOL DIVISION

Members of the School Division and School Division Officials
June 30, 2005

School Division

Mark A. Medford, Chair
R. Page Minter, Vice-Chair
Barbara S. Haywood
Barrent M. Henry
Linda S. Meadows

School Officials

Superintendent of Schools
Deputy Superintendent for Operations
Assistant Superintendent for Instruction
Chief Financial Officer
Director of Student Services
Director of Curriculum and Academic Services
Director of Student Achievement and Staff Development
Director of School Administration
Director of Human Resources
Director of Maintenance and Facilities Support
Director of Information Services

Dr. Steven R. Staples
Richard M. Hixson
Dr. James R. Tucker
Dennis R. Jarrett
Dr. Suzanne M. Creasey
Dr. Kate E. Richmond
Dr. Jennifer B. Parish
Dr. Carl L. James
Dr. Judy Davis-Dorsey
James M. Wilkins
Douglas M. Meade

THIS PAGE LEFT BLANK INTENTIONALLY

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY



REPORT OF INDEPENDENT AUDITORS

Members of the School Board
York County School Division

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the York County School Division, a component unit of the County of York, Virginia, as of and for the year ended June 30, 2005 which collectively comprise the School Division's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the York County School Division's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and aggregate remaining fund information of the York County School Division as of June 30, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2005, on our consideration of the York County School Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 19 through 34, the budgetary comparison schedules of the general fund and the other required supplementary information on pages 70 through 77 listed in the table of contents are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the York County School Division's basic financial statements. The introductory section, other supplemental information, and the statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Cherry. Sekant .i Holland, LLP

Richmond, Virginia
October 7, 2005

THIS PAGE LEFT BLANK INTENTIONALLY

York County School Division
Management's Discussion and Analysis
For the Year Ended June 30, 2005

The discussion and analysis of the York County School Division's (hereafter School Division) financial performance provides an overall review of the School Division's financial activities for the fiscal year ended June 30, 2005 (FY 2005). The intent of this discussion and analysis is to look at the School Division's financial performance as a whole; readers should also review the transmittal letter at the front of this report and the School Division's financial statements and notes to the basic financial statements which immediately follow this section, to enhance their understanding of the School Division's financial performance.

Financial Highlights

- For the governmental funds, General Fund revenues accounted for \$95.6 million or 94.1% of all revenues and expenditures were \$95.4 million or 93.2% of all expenditures.
- Net assets decreased by \$1.4 million to a total of \$111.5 million. The value of net assets reflects the financial health of the School Division and includes certain assets procured with debt. The School Division is a component unit of, and fiscally dependent on the County of York. As such, all debt related to School Division assets is shown on the County's statement of net assets. The most significant reasons for the planned \$1.4 million decrease in net assets was the use of fund balance for projects in FY05 and depreciation expense that exceeded capital outlays.
- Food Services ended the fiscal year with a fund balance of \$407,951, a decrease of \$2,661 over the beginning of year fund balance. This is a significant improvement over the fund balance decrease of \$230,635 in FY 2004.

Using This Comprehensive Annual Financial Report

The Comprehensive Annual Financial Report consists of four sections: introductory, financial, statistical, and compliance.

As illustrated in Figure A-1, the financial section of this annual report consists of three parts: *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*.

The basic financial statements include two kinds of statements that present different views of the School Division.

- The first two statements are *School Division-wide financial statements* that provide both *short-term* and *long-term* information about the School Division's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School Division, reporting the School Division's operations in *more detail* than the School Division-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the School Division acts solely as a *trustee* or *agent*.

The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports the financial statements with a comparison of the School Division's budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

FIGURE A-1

Organization of York County School Division Annual Financial Report

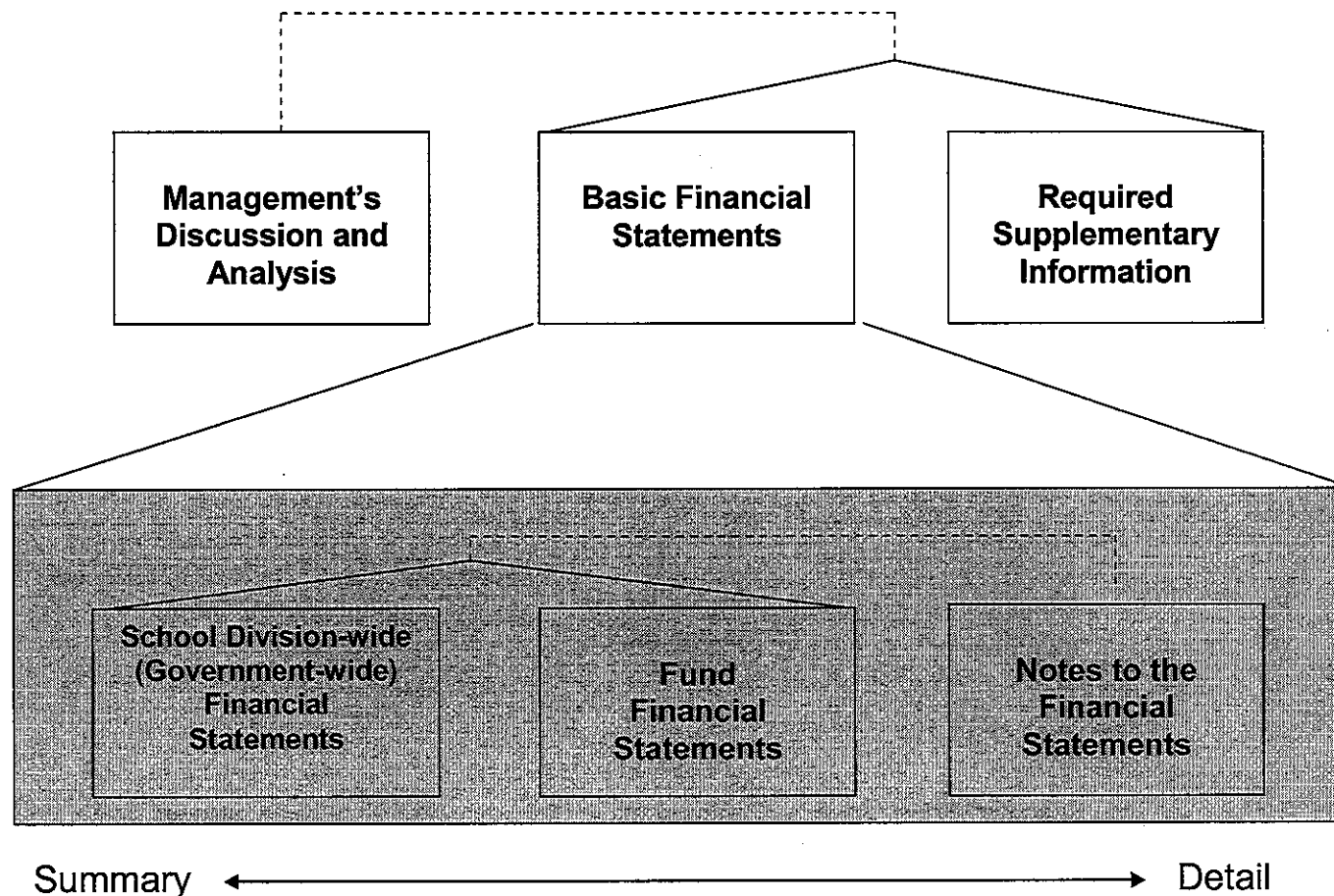


Figure A-2 summarizes the major features of the School Division's financial statements, including the portion of the School Division's activities they cover and the types of information they contain. The remainder of the overview section of the MD&A highlights the structure and contents of each of the financial statements.

FIGURE A-2

Major Features of the School Division-Wide and Fund Financial Statements				
	School Division-wide Statements	Fund Financial Statements		
		Governmental Funds	Fiduciary Funds	
Scope	Entire School Division (except fiduciary funds)	The activities of the School Division that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the School Division administers resources on behalf of someone else, such as scholarship programs and student activities monies	
Required Financial Statements	*Statement of net assets *Statement of activities	*Balance sheet *Statement of revenues, expenditures, and changes in fund balances	*Statement of fiduciary net assets *Statement of changes in fiduciary net assets	
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can	
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid	

School Division-wide Statements

The School Division-wide statements report information about the York County School Division as a whole using accounting methods similar to those used in private-sector companies. While this document contains a number of funds used by the School Division to provide programs and activities, the view of the School Division, as a whole, looks at all financial transactions and asks the question, “How did we do financially during FY 2005?” The Statement of Net Assets and the Statement of Activities answer this question. These statements report all of the assets and liabilities using the accrual basis of accounting. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

The two School Division-wide statements report the School Division’s *net assets* and how they have changed. Net assets—the difference between the School Division’s assets and liabilities—are only one way to measure the School Division’s financial health or position.

- Over time increases or decreases in the School Division’s net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the School Division, additional non-financial factors may also be relevant, such as changes in the County tax base, the condition of school buildings and other facilities, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, the School Division reports only activities related to governmental-type activities, since it has no business-type activities. The School Division’s governmental-type activities include: instruction, administration/attendance and health, transportation, operations and maintenance, food service, and interest on capital leases and capital projects.

Fund Financial Statements

The fund financial statements provide more detailed information about the School Division’s most significant or “major” funds. Funds are accounting devices that the School Division uses to help keep track of specific sources of funding and spending for particular purposes.

The School Division has two types of funds:

- *Governmental Funds:* Most of the School Division’s activities are reported in governmental funds, which focus on how much money flows into and out of those funds and the balances remaining at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School Division’s general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer resources that can be spent in the near future to finance educational programs. Because the governmental funds information does not encompass the additional long-term focus of the School Division-wide statements, additional information has been added in the form of reconciliation between the total fund balances of the governmental funds and the total net assets of the School Division-wide activities.

Fund Financial Statements (Continued)

- *Fiduciary Funds:* The School Division is trustee or fiduciary for the York County School Board Benefit and Pension Trust Fund. All of the fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the division-wide statements because the School Division cannot use these assets to finance its operation. The student activity monies are also accounted for in this fund type, as an agency fund.

Financial Analysis of the School Division as a Whole

Net Assets:

The condensed statement of net assets below describes the financial position of the School Division on June 30, 2005. The largest portion of the School Division net assets reflects its investment in capital assets (buildings, land, equipment, and construction-in-progress). Capital assets account for 96.7% of the total net assets and have decreased by \$0.5 million since June 30, 2004. The only debt netted against capital assets is for capital leases. As a component unit (School Division) in Virginia, the School Division does not have the authority to issue debt. All debt is issued by the County of York and, therefore, is shown as a liability on its statement of net assets. In years where there are substantial additions to capital assets that are funded through the issuance of debt, the School Division will have substantial increases in net assets invested in capital assets, net of related debt. A more detailed discussion on debt is contained in a later section entitled "Outstanding Long-Term Debt".

The other components of net assets are restricted net assets and unrestricted net assets. Restricted net assets represent those resources that have externally imposed constraints on their use. The School Division has no restricted assets in FY 2005. Unrestricted net assets are those resources that may be used to meet the obligations placed on the School Division by its creditors and to pay for ongoing operations of the School Division. At the end of the fiscal year unrestricted net assets amounted to \$3.6 million, remaining virtually unchanged from June 30, 2004. Both components of net assets show positive balances.

Financial Analysis of the School Division as a Whole (Continued)

Net Assets: (Continued)

Condensed Statement of Net Assets (in millions)			
	Governmental Activities 2005	Governmental Activities 2004	Total Percentage Change
Assets			
Current and other assets	\$ 19.6	\$ 21.3	-8.0%
Capital assets	108.1	108.6	-0.5%
Total assets	127.7	129.9	-1.7%
Liabilities			
Current liabilities	14.5	15.4	-5.8%
Long-term liabilities	1.7	1.6	6.2%
Total liabilities	16.2	17.0	-4.7%
Net assets			
Invested in capital assets, net of related debt	107.9	108.3	-0.4%
Restricted	0.0	0.8	-100.0%
Unrestricted	3.6	3.8	-5.3%
Total net assets	\$ 111.5	\$ 112.9	-1.2%

Financial Analysis of the School Division as a Whole (Continued)

Net Assets: (Continued)

The following table summarizes the changes in the School Division's net assets for the year ended June 30, 2005.

	Changes in Net Assets (in millions)		
	Governmental Activities 2005	Governmental Activities 2004	Total Percentage Change
Revenues			
Program revenues			
Charges for services	\$ 3.2	\$ 2.8	14.3%
Operating grants and contributions	52.0	46.0	13.0%
Capital grants and contributions	1.7	1.6	6.2%
General revenues			
County	34.6	35.8	-3.4%
Shared intergovernmental revenues	9.3	8.0	16.3%
Revenues from the use of money and property	0.5	0.5	0.0%
Miscellaneous revenues	0.4	0.2	100.0%
Total revenues	<u>101.7</u>	<u>94.9</u>	7.2%
Expenses			
Instruction	\$ 73.5	\$ 64.5	14.0%
Administration/attendance and health	6.4	5.8	10.3%
Transportation	5.3	5.0	6.0%
Operations and maintenance	10.9	10.1	7.9%
Food service	3.9	3.4	14.7%
Interest on capital leases	0.0	0.1	-92.0%
Capital projects	3.1	4.6	-32.6%
Total expenses	<u>103.1</u>	<u>93.5</u>	10.3%
Change in net assets	<u>(1.4)</u>	<u>1.4</u>	-200.6%
Net assets - beginning of year	<u>112.9</u>	<u>111.5</u>	1.3%
Net assets - end of year	<u>\$ 111.5</u>	<u>\$ 112.9</u>	-1.2%
Note: Totals may not add due to rounding.			

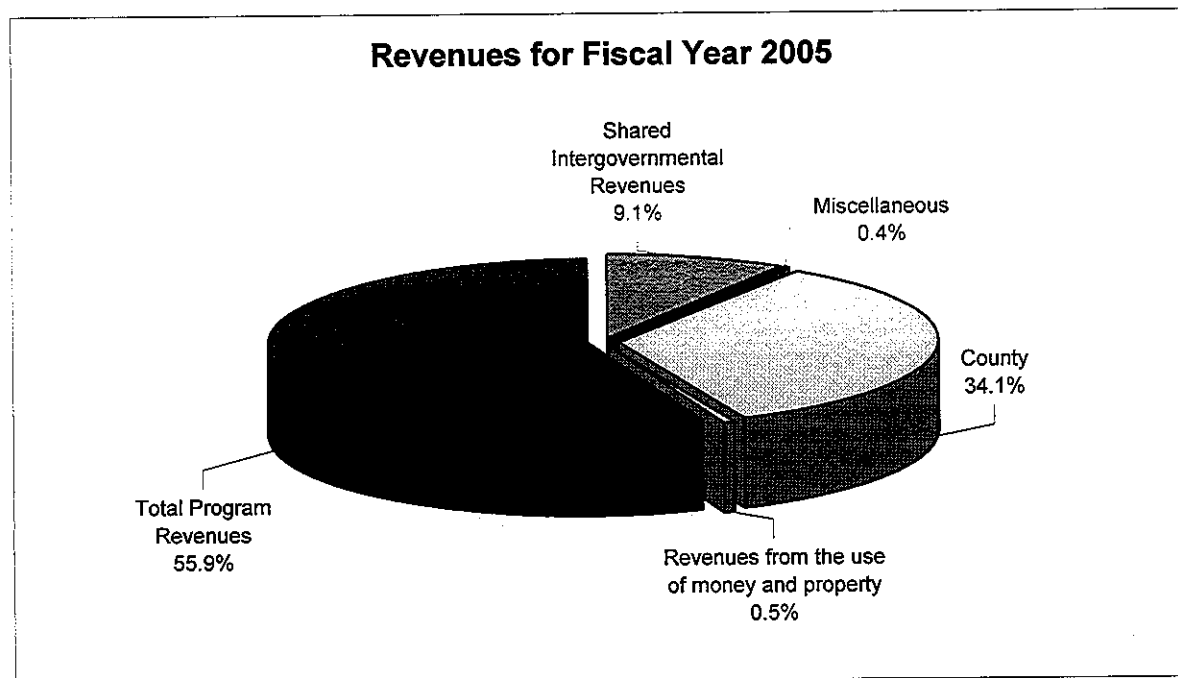
Financial Analysis of the School Division as a Whole (Continued)

Changes in net assets:

For the fiscal year ended June 30, 2005, revenues from governmental activities totaled \$101.7 million. State and federal revenue for operating grants and contributions account for 51.1% of the School Division's resources as compared to 48.4% for the fiscal year ended June 30, 2004. This includes state funding for meeting the Standards of Quality and federal impact aid. Revenues from the County totaled \$34.6 or 34.0% of the total revenues as compared to \$35.8 or 37.7% for the fiscal year ended June 30, 2004. The decrease in County funding relates to a major portion of the capital projects in FY05 being funded from fund balance.

The total cost of all programs was \$103.1 million in FY 2005. Instruction made up 71.3% of the total costs of the School Division in FY 2005 and 70.0% in FY 2004. The School Division's operations and maintenance activities accounted for 10.6% of total costs for FY 2005 while administration/attendance and health amounted to 6.2% of total costs.

For the fiscal year ended 2005, expenses exceeded revenues by a total of \$1.4 million. A substantial portion of this deficit results from the funding of capital projects from fund balance. Also contributing to the deficit was depreciation expense, expenses for workers compensation claims, and increased expenses for instruction.

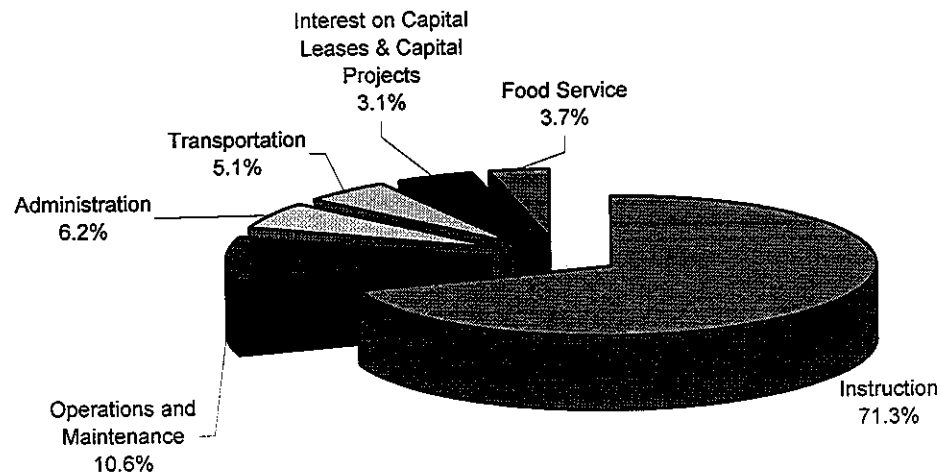


Note: Total Program Revenues reflect revenue from County, State, Federal and Other sources that are dedicated to specific programs or expense areas.

Financial Analysis of the School Division as a Whole (Continued)

Changes in net assets: (Continued)

Expenses for Fiscal Year 2005



Note: Expenses are summarized for display purposes. Each section may include one or more specific program areas.

Governmental Activities

The three primary sources of revenue for the School Division are from the County of York, the Commonwealth (State) of Virginia, and the United States Department of Education. State and federal government funding is included in Total Program Revenues. Funding from the County is provided by the York County Board of Supervisors.

State funding is provided through a formula that calculates the State share of the cost of education, as determined in the Standards of Quality, including basic aid and categorical funds. Sales tax (Shared Intergovernmental revenue) revenue totaled \$9.3 million in FY 2005.

Federal funding comes to the School Division from federal grants and impact aid. Impact aid is designed to reimburse school districts for the loss of revenue due to the presence of the federal government. This is an important reimbursement source of revenue to the School Division since the federal government does not pay property taxes.

The following table shows, for government-type activities, the total cost of services and the net cost of services. The net cost of services reflects the support to be provided by tax revenue, state aid, and federal aid not restricted to specific programs.

Net Cost of Governmental Activities				
(in millions)				
	Total cost of services 2005	Total cost of services 2004	Net cost of services 2005	Net cost of services 2004
Instruction	\$ 73.5	\$ 64.8	\$ 21.5	\$ 18.7
Administration/attendance and health	6.4	5.8	6.4	5.8
Transportation	5.3	5.0	5.3	5.0
Operations and maintenance	10.9	10.1	10.9	10.1
Food service	3.9	3.4	0.2	0.3
Interest on capital leases	-	0.1	-	0.1
Capital projects	3.1	4.6	2.0	3.4
Total expenses	\$ 103.1	\$ 93.8	\$ 46.3	\$ 36.1

Governmental Activities *(Continued)*

Significant changes in governmental activities include:

- The cost of all governmental activities was \$103.1 million.
- The net cost of governmental activities was \$46.3 million.
- The federal and state governments subsidized certain programs with operating and capital grants and contributions of \$53.7 million.
- Most of the School Division's net cost of services of \$46.3 million was funded by the County and state taxpayers.
- Food Service's net cost of services of \$0.2 million was funded primarily by a one-time payment related to a performance contract with the food service management company (Aramark).

Financial Analysis of the School Division's Funds

The strong financial performance of the School Division is also reflected in its major governmental funds, the General Fund and the Capital Projects Fund. As the School Division completed the year, the General Fund reported a fund balance of \$6.1 million or a \$0.3 million increase from the fund balance reported for the fiscal year ended June 30, 2004. The Capital Projects Fund reported a fund balance at the end of FY 2005 of \$1.1 million or \$0.9 million less than reported for the fiscal year ended June 30, 2004. The reduction of \$0.9 million relates to expenditures that were funded from fund balance. The Food Service Fund, the non-major governmental fund, reported a fund balance of \$0.4 million at the end of FY 2005, representing only a minor change from the fiscal year ended June 30, 2004 reported fund balance.

For FY 2005, the General Fund had less expenditures than revenues and the Capital Projects Fund and the Food Service Fund had more expenditures than revenues. Additionally, all three of these funds carried a significant fund balance at the beginning of the year. Total expenditures of the Capital Projects Fund were \$0.9 million above revenues because unused resources from last year were used this year to finance expenditures.

General Fund Budgetary Highlights

The School Division's budget is prepared in accordance with Virginia School Laws. The most significant budgeted fund is the General Fund. During the course of FY 2005, the School Division amended its general fund budget as follows:

- Amended appropriation of \$3,751,632 to reflect the carryover of encumbrances from FY 2004 to FY 2005.
- Supplemental appropriations totaling \$261,582 for increases in the federal grant allocations.
- Amended appropriation of \$94,999 for carryover of electronic classroom funds.

Although the School Division's final budget for the General Fund anticipated that revenues and expenditures would be equal, the actual results for the year show an excess in revenues over expenditures of \$343,211. This excess is the result of expenditure savings during FY 2005. General Fund revenues were \$10.7 million or 12.5% greater in FY 2005 as compared to FY 2004. This increase, for the most part, was driven by one of the largest increases in state funding in over a decade. State revenue increased \$6.6 million or 15.6% in FY 2005 as compared to the previous fiscal year.

Capital Assets

At the end of FY 2005, the School Division had \$108.1 million (a 0.5% decrease from FY 2004) invested in furniture and equipment, land, buildings, and construction in progress in governmental-type activities. The following table displays FY 2005 balances, net of accumulated depreciation. More detailed information about capital assets can be found in Note 3 to the financial statements.

Capital Assets <i>(Net of Accumulated Depreciation)</i> (in millions)			
	Governmental Activities 2005	Governmental Activities 2004	Total Percentage Change
Land	\$ 4.6	\$ 4.6	0.0%
Construction in progress	1.1	4.1	-73.2%
Depreciable capital assets	102.4	99.9	2.5%
Total	\$ 108.1	\$ 108.6	-0.5%

Major capital asset additions for FY 2005 included:

- New, state-of-the-art playground equipment was installed at all 10 elementary schools. The equipment is specifically designed to meet the needs of lower and upper grade elementary students.
- In conjunction with the County Government upgrade of the emergency communications system, the Division purchased and installed a new digital radio system for school buses. Portable radios were also purchased for Division staff with oversight responsibilities during an emergency.
- Construction work for a major renovation and addition at Queens Lake Middle School was completed in fiscal year 2005. Scope of the project included replacement of the roof, HVAC and mechanical system, lighting, floor and ceiling. An additional eight new classrooms were included in the construction. The media center and the school administrative areas were also renovated.

The following major capital projects are included in the School Division's FY 2006 capital budget:

- Addition of a band room and storage facility at Grafton High School.
- Addition of a new gymnasium at Tabb High School.
- Began construction on a major renovation of York High School. The renovation will include HVAC, lighting, floor, ceiling, and approximately 36,000 square feet of roof replacement. Temporary mobile units will be used as classrooms during the renovation of the building.
- Addition and renovation of the School Board Central Office building.

Funding for the FY 2006 capital projects includes \$17.4 million in appropriated funds from the County of York.

Outstanding Long-Term Debt

School Divisions in the Commonwealth of Virginia are fiscally dependent, in that they do not have taxing authority and rely upon appropriations from the County/City. Only government entities with taxing authority are legally permitted to incur long-term debt, therefore all debt required for capital projects for the School Division is incurred by the County. As a result, the County of York government retains the liability for the portion of general obligation bonds issued to fund capital projects for the School Division.

The County Government appropriates funds to the School Division for the education of the students of the County of York. The School Board, in its annual budget process and in consultation with the County, determines the amount of these funds to support the financing of capital projects for the School Division.

Outstanding Long-Term Debt (continued)

The School Division's long-term debt is related to compensated absences, worker's compensation claims, and capital leases on equipment. Long-term debt had a net increase of approximately \$0.3 million, primarily due to an increase in compensated absences. The following table lists out the long term debt for the School Division.

York County School Division - Outstanding Debt

	FY 2005	FY2004
Compensated absences	\$ 1,817,050	\$ 1,550,199
Workers' compensation claims	2,131,098	1,979,810
Capital leases payable	218,250	315,250
Total	\$ 4,166,398	\$ 3,845,259

Additional information on the School Division's long-term debt can be found in note 5 on page 60 of this report.

Factors influencing future budgets:

The FY 2006 budget provides funding for the following significant costs:

- A step increase and a 5% average market salary adjustment for licensed staff (teachers) and a 2.25% average market salary adjustment for non-licensed staff.
- Funding for current programs to support an increase of 258 students.
- Funding to support the capital projects included in the FY 2006 – 2011 CIP.

At the time these financial statements were prepared and audited, the School Division was aware of the following existing circumstances that could significantly affect its financial health in the future.

- The Commonwealth of Virginia will be considering the new biennium budget for FY 2007 and FY 2008 during the 2006 General Assembly session. The impact on the School Division of the new biennium budget is unknown at this time.

Factors influencing future budgets *(continued)*

- Yorktown Middle School will undergo an addition and renovation in FY 2007. The total construction cost of the project is expected to be \$9.5 million. Of that amount, the County has identified the funding source for \$7.5 million. The remaining \$2 million has yet to be approved and a funding source identified.
- The Federal government will be considering the budget for Impact Aid for FY 2007 during the next Congressional session. The impact on the School Division of the new Federal budget is also unknown at this time.

Contacting the York County School Division's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, parents, students, and creditors with a general overview of the School Division's finances and to show the School Division's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Finance Department at York County School Division, 302 Dare Road, Yorktown, Virginia 23692, (757) 898-0303.

BASIC FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

The York County School Division

Statement of Net Assets

June 30, 2005

	Governmental Activities
Assets	
Cash and investments	\$ 3,968,896
Other receivables	18,783
Due from primary government	10,818,455
Due from other governments	2,850,228
Prepaid expenses	1,898,917
Capital assets:	
Land	4,669,160
Construction in progress	1,080,428
Buildings, improvements and equipment, net	102,388,074
Total capital assets	<u>108,137,662</u>
Total assets	<u>127,692,941</u>
Liabilities	
Vouchers and accounts payable	1,672,204
Retainage payable	9,617
Salaries, taxes and benefits payable	10,097,109
Unearned revenue - prepaid lunches	53,274
Due to primary government	182,253
Due within one year	2,514,050
Due in more than one year	1,652,348
Total liabilities	<u>16,180,855</u>
Net assets	
Invested in capital assets, net of related debt	107,919,412
Unrestricted	3,592,674
Total net assets	<u><u>\$ 111,512,086</u></u>

The accompanying notes are an integral part of the basic financial statements.

The York County School Division

Statement of Activities Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Primary government:					
Governmental activities:					
Instructional	\$ 73,552,957	\$ 538,102	\$ 50,996,243	\$ 503,538	\$ (21,515,074)
Administrative, attendance, and health services:	6,412,274	-	-	-	(6,412,274)
Transportation	5,242,264	-	-	-	(5,242,264)
Operations maintenance	10,918,247	-	-	-	(10,918,247)
Food services	3,852,601	2,646,324	997,286	-	(208,991)
Interest on capital leases	8,189	-	-	-	(8,189)
Capital projects	3,116,248	-	-	1,156,607	(1,959,641)
Total governmental activities	103,102,780	3,184,426	51,993,529	1,660,145	(46,264,680)
Total primary government	\$ 103,102,780	\$ 3,184,426	\$ 51,993,529	\$ 1,660,145	(46,264,680)
General revenues:					
Payments from the County of York					34,637,955
Shared intergovernmental revenues (unrestricted)					9,306,537
Revenues from use of money and properties					536,367
Miscellaneous					426,186
Total general revenues and transfers					44,907,045
Change in net assets					(1,357,635)
Net assets - beginning, as restated					112,869,721
Net assets - ending					\$ 111,512,086

The accompanying notes are an integral part of the basic financial statements.

The York County School Division

**Balance Sheet
Governmental Funds
June 30, 2005**

	General	Capital Projects	Non-major Governmental Fund	Total Governmental Funds
Assets				
Cash and temporary investments	\$ 2,154,194	\$ 1,392,426	\$ 422,276	\$ 3,968,896
Other receivables	4,397	2,843	11,543	18,783
Due from primary government	10,818,455	-	-	10,818,455
Due from other governments	2,802,641	-	47,587	2,850,228
Due from other funds	73	-	-	73
Prepaid expenditures	1,898,917	-	-	1,898,917
Total assets	<u>\$ 17,678,677</u>	<u>\$ 1,395,269</u>	<u>\$ 481,406</u>	<u>\$ 19,555,352</u>
Liabilities and fund balances				
Liabilities:				
Vouchers and accounts payable	\$ 1,344,477	\$ 327,434	\$ 293	\$ 1,672,204
Retainage payable	-	9,617	-	9,617
Salaries, taxes and benefits payable	10,077,294	-	19,815	10,097,109
Due to primary government	182,253	-	-	182,253
Due to other funds	-	-	73	73
Deferred revenue	-	-	53,274	53,274
Total liabilities	<u>11,604,024</u>	<u>337,051</u>	<u>73,455</u>	<u>12,014,530</u>
Fund balances:				
Reserved for:				
Encumbrances	3,943,555	960,971	-	4,904,526
Unreserved				
Designated for:				
Self insurance	2,131,098	-	-	2,131,098
Construction	-	97,247	-	97,247
Undesignated:				
Special revenue fund	-	-	407,951	407,951
Total fund balances	<u>6,074,653</u>	<u>1,058,218</u>	<u>407,951</u>	<u>7,540,822</u>
Total liabilities and fund balances	<u>\$ 17,678,677</u>	<u>\$ 1,395,269</u>	<u>\$ 481,406</u>	<u>\$ 19,555,352</u>

The accompanying notes are an integral part of the basic financial statements.

The York County School Division
Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
June 30, 2005

Amounts reported for governmental activities in the statement of net assets are different because:

Ending fund balance - governmental funds	\$ 7,540,822
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	108,137,662
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.	<u>(4,166,398)</u>
Net assets of governmental activities	<u><u>\$ 111,512,086</u></u>

The accompanying notes are an integral part of the basic financial statements.

The York County School Division
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2005

	<u>General</u>	<u>Capital Projects</u>	<u>Non-major Governmental Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Intergovernmental:				
From the County of York	\$ 34,097,431	\$ 539,604	\$ 920	\$ 34,637,955
From the Commonwealth of Virginia	49,025,217	1,156,607	54,920	50,236,744
From the Federal Government	11,277,563	503,538	942,366	12,723,467
Revenues from use of money and property	500,143	28,691	7,533	536,367
Charges for services	538,102	-	2,646,324	3,184,426
Miscellaneous	256,986	-	169,200	426,186
Total revenues	<u>95,695,442</u>	<u>2,228,440</u>	<u>3,821,263</u>	<u>101,745,145</u>
Expenditures				
Current - education:				
Instruction	72,199,940	-	-	72,199,940
Administration, attendance and health services	6,404,403	-	-	6,404,403
Pupil transportation	5,618,939	-	-	5,618,939
Operations and maintenance	11,023,760	-	-	11,023,760
Total education	<u>95,247,042</u>	<u>-</u>	<u>-</u>	<u>95,247,042</u>
Food services	-	-	3,823,924	3,823,924
Capital outlay	-	3,116,248	-	3,116,248
Debt service:				
Principal retirement	97,000	-	-	97,000
Interest and fiscal charges	8,189	-	-	8,189
Total expenditures	<u>95,352,231</u>	<u>3,116,248</u>	<u>3,823,924</u>	<u>102,292,403</u>
Excess (deficiency) of revenues over expenditures	<u>343,211</u>	<u>(887,808)</u>	<u>(2,661)</u>	<u>(547,258)</u>
Net change in fund balances	<u>343,211</u>	<u>(887,808)</u>	<u>(2,661)</u>	<u>(547,258)</u>
Fund balance - beginning	<u>5,731,442</u>	<u>1,946,026</u>	<u>410,612</u>	<u>8,088,080</u>
Fund balance - ending	<u>\$ 6,074,653</u>	<u>\$ 1,058,218</u>	<u>\$ 407,951</u>	<u>\$ 7,540,822</u>

The accompanying notes are an integral part of the basic financial statements.

The York County School Division
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (547,258)
--	--------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlay

	2,983,513	
Capital outlay		
Depreciation expense	<u>(3,379,939)</u>	(396,426)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net assets.	(92,812)
---	----------

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This is the amount by which payments exceeded proceeds.	97,000
--	--------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

	(266,851)	
Compensated absences		
Worker's compensation claims	<u>(151,288)</u>	<u>(418,139)</u>

Change in net assets of governmental activities	<u>\$ (1,357,635)</u>
---	-----------------------

The accompanying notes are an integral part of the basic financial statements.

The York County School Division
Statement of Fiduciary Net Assets
Year Ended June 30, 2005

	Pension Trust Fund Optional Plan	Agency Fund - School Activity Funds
ASSETS		
Cash and investments	\$ -	\$ 1,363,563
Restricted cash and investments	<u>1,193,367</u>	<u>-</u>
Total assets	<u>\$ 1,193,367</u>	<u>\$ 1,363,563</u>
LIABILITIES		
Assets held for others	<u>\$ -</u>	<u>\$ 1,363,563</u>
NET ASSETS		
Net assets held in trust for pension benefits	<u>1,193,367</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 1,193,367</u>	<u>\$ 1,363,563</u>

The accompanying notes are an integral part of the basic financial statements.

The York County School Division

Statement of Changes in Fiduciary Net Assets - Pension Trust Fund - Optional Plan
Year Ended June 30, 2005

Additions		
Contributions - Member		\$ 200,000
Investment income		
Earning from investments	\$ 36,391	
Net depreciation in the fair value of net assets	<u>(6,388)</u>	<u>30,003</u>
Total Additions		230,003
Deductions		
Benefits	104,670	
Administrative expense	<u>10,589</u>	<u>115,259</u>
Net Increase		114,744
Net assets held in trust for pension benefits - beginning of year		<u>1,078,623</u>
Net assets held in trust for pension benefits - end of year		<u>\$ 1,193,367</u>

The accompanying notes are an integral part of the basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

THE YORK COUNTY SCHOOL DIVISION
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements presented for the York County School Division, (School Division) are prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB). The School Division's significant accounting and reporting policies are described in the following notes:

The Financial Reporting Entity

The School Division is considered a component unit of the County of York (County). The School Division has no component units. Component units are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria: (a) the primary government is accountable for the component unit, and (b) the primary government is able to impose its will upon the component unit (or there is a possibility that the component unit may provide specific financial benefits or impose specific financial burdens on the primary government). The information included in these basic financial statements will also be included in the County of York's basic financial statements because of the significance of the School Division's financial relationship with the County.

The School Board determines educational policy and employs a Superintendent of Schools to administer the School Division's policies. The members of the School Board are elected by the citizens of York County.

The School Division is responsible for elementary and secondary education for the County of York.

The accounting policies of the School Division conform with accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant accounting policies of the School Division.

Basis of Presentation

The School Division's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government-Wide Financial Statements: The statement of net assets and the statement of activities display information about the School Division as a whole, except for fiduciary funds. These statements are reflected on a full accrual basis of accounting and economic resources measurement focus, which incorporates long-term assets as well as long-term liabilities. Operating transfers are eliminated to avoid “doubling up” revenues and expenditures. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The statement of net assets presents the financial condition of the governmental type activities of the School Division at year-end. The School Division does not have any business-type activities. The statement of activities presents a comparison between direct expenses and program revenues for each function of the School Division’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore identifiable to a particular function. Expenses are grouped in the following categories: instruction, administration, attendance and health services, transportation, operations and maintenance, capital projects (not capitalized), and food services.

Program revenues include charges paid by the recipient for the goods or services offered by the program or from grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Charges for services include pupil fees, summer school tuition and cafeteria sales. Revenues not classified as program revenues are presented as general revenues of the School Division. The comparison of direct expenses with program revenues identifies the extent to which the governmental function is self-financing or draws from the general revenues of the School Division. The School Division does not allocate indirect expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services provided and used, however, are not eliminated in this process.

Fund Financial Statements: During the year, the School Division segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements present financial information of the School Division at this more detailed level. The focus of governmental fund financial statements is on major funds, each displayed in a separate column. The School Division has identified the general fund and the capital project fund as major.

The accounts of the School Division are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. The fund statements are presented on a current financial resources measurement focus and the modified accrual basis of accounting. The acquisition, use and balances of the School Division’s expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is based upon the determination of changes in financial position, rather than upon net income determination. The following fund types groups are used by the School Division:

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Governmental Funds

Governmental Funds are those through which most governmental functions of the School Division are financed. The acquisition, use and balances of the School Division's expendable financial resources and the related liabilities are accounted for through governmental funds. Governmental fund types use the "flow of current financial resources" measurement focus. This means that generally only current assets and current liabilities are reflected on their balance sheets. Their operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net fund balance. The following are the School Division's governmental fund types:

General Fund - The General Fund (School Operating Fund) is the general operating fund of the School Division. It is used to account for all financial resources except those accounted for in another fund.

Capital Projects Fund - The Capital Projects Fund (School Construction Fund) is used to account for financial resources to be used for the acquisition or construction of major capital facilities or maintenance of school facilities (other than those financed by the operating fund).

Non-Major Governmental Fund - The non-major Governmental Fund (School Food Services Fund) is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Accordingly, the School Food Services Fund is used to account for the school operations. Revenues restricted for cafeteria operations include cafeteria sales and Federal grant reimbursements.

Fiduciary Funds

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations. Accordingly, the measurement focus is upon determination of changes in financial position rather than upon net income determination. The Trust and Agency funds consist of the Pension Trust Fund - Optional Plan and the School Activity Funds.

Trust Fund - The Pension Trust Fund - Optional Plan accounts for the revenues and expenses related to the School Division sponsored retirement plan, which is administered by a fiduciary agent of the York County School Division. The Pension Trust Fund - Optional Plan follows the accrual basis of accounting. The recognition of contributions, benefits and refunds use the "flow of economic resources" measurement focus. The costs of plan administration are financed through employer and member contributions and earnings on investments.

Agency Fund - The Agency Fund is custodial in nature and does not involve measurement of results of operations. The School Division's agency fund is the School Activity Funds, which accounts for the student activity monies maintained on behalf of the students by the principal of each school.

Fiduciary funds are not included in the government-wide financial statements.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Governmental activities in the government-wide financial statements and the fiduciary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The primary revenues susceptible to accrual include intergovernmental revenues. In applying the subject to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the School Division; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the accrual criteria are met.

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Generally revenues collected within 45 days of year-end are recognized. For grants, revenue is recognized when all eligibility requirements have been met. The primary revenues susceptible to accrual include From the County of York, From the Commonwealth of Virginia, and From the Federal Government. Expenditures, other than interest and principal on long-term debt which is recorded when due, are recorded when the fund liability is incurred, if measurable.

Cash, Cash Equivalents and Temporary Investments

Cash and temporary investments are pooled with the cash and investments of the County. The School Division utilizes the pooled cash investment method wherein income from the investment of pooled cash is allocated to the various funds based on the percentage of cash and cash equivalents of each fund to the total pooled cash and cash equivalents. Investments that are held for more than one year to maturity are stated at fair value while investments that are held for less than one year to maturity are stated at amortized cost. The value of investments reflected at amortized cost are not materially different than fair value. The cash in the agency fund represents the student activity funds cash balances in the separate bank accounts maintained by the individual schools. Investments with original maturities of 90 days or less are considered cash equivalents.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Receivables and Due from Other Governments

Amounts due from the Commonwealth of Virginia consist primarily of June sales tax, receivables from state entitlements and reimbursement of grants expenditures. Amounts due from federal governments are for reimbursement of grants expenditures. Receivables consist primarily of amounts due from students and other customers of the School Division. All amounts should be collected within one year.

Inventory

Inventory is accounted for under the purchase method and is stated at the lower of cost or market on a first-in, first-out basis. The cost is recorded as an expenditure at the time inventory is purchased. USDA donated food commodities are accounted for in the School Food Services Fund at the estimated value at the time of receipt. Revenues are recorded when goods are received and expenditures are recorded as goods are used.

Capital Assets

General capital assets have been acquired for general school purposes. Capital outlays are recorded as expenditures in the governmental funds and as assets in the government-wide financial statements to the extent the School Division capitalization threshold is met.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated assets are recorded at estimated fair market value on the date received. The School Division maintains a capitalization threshold of \$5,000 for equipment, improvements and buildings. Land is capitalized regardless of value. The School Division has no infrastructure assets.

Depreciation is recorded on general capital assets on a government-wide basis. All reported capital assets except land and construction in progress are depreciated. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Description	Estimated useful lives
Buildings	25-80 years
Improvements other than buildings	30-80 years
Machinery and equipment and vehicles	10-25 years

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Compensated Absences

Employees are granted vacation and sick pay in varying amounts as services are provided. They may accumulate, subject to certain limitations, unused vacation pay earned and, upon retirement, termination or death, may be compensated as salary related payments for certain amounts at their then current rates of pay. The cost of accumulated compensated absences pay including associated benefits is accounted for as a liability in the government-wide financial statements. In the governmental funds, the amount of the vacation pay, including associated benefits, recognized during the year is the amount accrued during the year that is normally liquidated with expendable available financial resources.

Fund Balances/Net Assets

Fund balances have been classified to reflect the limitations and restrictions placed on the respective funds as follows:

Fund Balances - Reserved - indicates that a portion of fund equity, which has been legally segregated for specific purposes or does not represent available expendable resources.

Fund Balances - Unreserved, Designated - indicates tentative plans for financial resource utilization in future periods.

Fund Balances - Unreserved, Undesignated - represents the remainder of the School Division's equity in governmental fund – type balances.

Net Assets in government-wide financial statements are classified as invested in capital assets, net of related debt, restricted and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, laws and regulations of other governments or imposed by law through state statute.

Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements, or transfers. Loans are reported as due to and due from as appropriate and are subject to elimination in the government-wide statements. Services provided are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other Interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide statements.

Retirement Plan

Retirement contributions are actuarially determined and consist of current service costs and amortization of prior service costs over a 30-year period. The School Division's policy is to fund pension cost as it accrues.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Use of Estimates

Management of the School Division has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Management believes any differences between these estimates and actual results should not materially affect the School Division's reporting of its financial position.

2. DEPOSITS AND INVESTMENTS

The Code of Virginia, as amended, requires the election of a County Treasurer. By law, the Treasurer is the custodian of cash investments for both the County of York and the York County School Division, and has powers and duties prescribed by general law. Cash and temporary investments pertaining to the School Division's funds, except the Pension trust fund and the school activity funds, are pooled and invested with the cash and temporary investments of the County.

Deposits

All cash is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance. At June 30, 2005 cash and investments of the County, which contain pooled cash and investments of the School Division, consisted of:

Bank deposits	\$ 2,072,555
Restricted cash	1,960,228
Investments	72,313,735
Petty cash	4,325
Total cash and investments	<u>\$ 76,350,843</u>

Cash and investments of the School Division, including fiduciary funds, at June 30, 2005 consisted of:

Pooled cash and investments	\$ 3,968,296
Bank deposits	371,717
Repurchase agreement	991,846
Investments	1,193,367
Petty cash	600
Total cash and investments	<u>\$ 6,525,826</u>

2. DEPOSITS AND INVESTMENTS (Continued)

Investments

Statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). LGIP is managed in accordance with the "2a7 like pool" risk limiting requirements of GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" with the portfolio securities valued by the amortized cost method. Investments with a maturity date of one year or less are stated at amortized cost. All investments stated at amortized cost approximate the fair value. The fair value of the County's position in the LGIP is the same as the value of the pool shares. All other investments are stated at fair value.

Investment Policy

In accordance with the Code of Virginia and other applicable law, including regulations, the County's investment policy (the Policy) permits investments in U.S. Government obligations, certain municipal bonds, prime quality commercial paper, high grade corporate notes and bonds, bankers acceptances, repurchase agreements, certificates of deposit and other evidences of deposit at financial institutions, money market mutual funds, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a7 like pool).

State statute limits the percentage of the portfolio that can be invested in commercial paper to 35%. The Policy does not impose additional diversification limits, but does require that the portfolio avoid over-concentration in specific security types, issuers and business sectors.

The School Division has a separate funding policy (Trust Policy) for their Pension trust fund. The Trust Policy's principal goal is to invest in funds considering both the safety of principal with long-term stability and moderate capital appreciation commensurate with the expected retirement dates of plan participants; however, these investments should be liquid in order to enable the plan, on short notice, to make distributions of benefits in the event of death, disability or termination of a plan participant. The Trust Policy establishes the percentage of the portfolio that can be invested in fixed income investments to 40% - 70% and equity investments to 25% - 50%.

Credit Risk

As required by state statute, the Policy requires that commercial paper be rated "prime quality" by at least two nationally recognized statistical rating organizations and corporate notes and bonds must be rated in the AAA or AA categories by both Standard & Poor's and Moody's Investor Service. The County's Policy further limits credit risk by limiting investments in securities that have higher credit risks.

2. DEPOSITS AND INVESTMENTS (Continued)

The Trust Policy does not limit credit risk to any specific category.

As of June 30, 2005, the County's investments as rated by Standard & Poor's were as follows:

<u>Investment Type</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>A-1</u>
Virginia LGIP	\$ 21,944,865	\$ -	\$ -	\$ -
Money market	867,413	-	-	-
Certificates of deposit	-	-	-	814,431
Commercial paper	-	-	-	11,938,776
Federal agency discount notes	5,490,619	-	-	-
Federal agency bonds and notes	15,885,943	-	-	-
Corporate obligations	3,853,317	3,621,375	-	-
Municipal obligations	5,450,456	1,941,722	504,818	-
Total investments	<u>\$ 53,492,613</u>	<u>\$ 5,563,097</u>	<u>\$ 504,818</u>	<u>\$ 12,753,207</u>

As of June 30, 2005, the School Divisions Pension trust fund investments as rated by Standard & Poor's were as follows:

<u>Investment Type</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>B</u>	<u>Not Rated</u>
Money market	\$ 131,830	\$ -	\$ -	\$ -	\$ -
Commercial paper	-	-	419,839	285,591	21,239
Federal agency bonds and notes	149,414	-	-	-	-
Corporate obligations	-	-	142,399	43,055	-
Total investments	<u>\$ 281,244</u>	<u>\$ -</u>	<u>\$ 562,238</u>	<u>\$ 328,646</u>	<u>\$ 21,239</u>

Concentration of Credit Risk

State statute limits the percentage of the portfolio that can be invested in commercial paper of a single issuer to no more than 5%. The County's policy does not set additional credit concentration limits. As of June 30, 2005, the portion of the County's portfolio, excluding the Virginia LGIP and U.S. Government guaranteed obligations, that exceeded 5% of the total portfolio were the Federal Home Loan Bank discount note and Federal Home Loan Bank bonds, which represented 7.59% and 5.78%, respectively, of the total investment portfolio.

As of June 30, 2005, the portion of the School Division's Pension trust portfolio that exceeded 5% of the total portfolio were the Federal Home Loan Bank and Federal Farm Credit Bank bonds, which represented 7.02% and 7.05%, respectively, of the total investment portfolio.

2. DEPOSITS AND INVESTMENTS *(Continued)*

Interest Rate Risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the County's Policy limits the investment portfolio holdings to no more than 18 months, unless approved by the Treasurer. As of June 30, 2005, the carrying values and weighted average maturity of the County's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>
Money market-Virginia LGIP	\$ 21,944,865	-
Money market	867,413	-
Certificates of deposit	814,431	1.00
Commercial paper	11,938,776	0.03
Federal agency discount notes	5,490,619	1.00
Federal agency bonds and notes	15,885,943	3.10
Corporate obligations	7,474,692	5.30
Municipal obligations	7,896,996	2.32
Total investments	<u>\$ 72,313,735</u>	
Weighted average of portfolio		<u>1.56</u>

The carrying values and weighted average maturity of the School Division's Pension trust investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity in Years</u>
Money market	131,830	-
Commercial paper	705,430	-
Mutual funds	21,239	-
Federal agency bonds and notes	149,414	4.08
Corporate obligations	185,454	2.16
Total investments	<u>\$ 1,193,367</u>	
Weighted average of portfolio		<u>0.85</u>

3. CAPITAL ASSETS – NET

The following is a summary of changes in capital assets for the year ended June 30, 2005:

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,669,160	\$ -	\$ -	\$ 4,669,160
Construction in progress	4,091,101	1,080,428	4,091,101	1,080,428
Total capital assets - not being depreciated	8,760,261	1,080,428	4,091,101	5,749,588
Capital assets being depreciated:				
Buildings	126,767,211	4,744,661	-	131,511,872
Improvements other than buildings	2,415,673	-	-	2,415,673
Machinery and equipment	1,518,933	183,554	143,919	1,558,568
Motor vehicles	7,078,933	1,065,971	373,773	7,771,131
Total capital assets being depreciated	137,780,750	5,994,186	517,692	143,257,244
Less accumulated depreciation for:				
Buildings	33,174,557	2,678,836	-	35,853,393
Improvements other than buildings	1,115,203	64,473	-	1,179,676
Machinery and equipment	482,834	122,860	80,263	525,431
Motor vehicles	3,141,517	513,770	344,617	3,310,670
Total accumulated depreciation	37,914,111	3,379,939	424,880	40,869,170
Other capital assets being depreciated - net	99,866,639	2,614,247	92,812	102,388,074
Governmental activities capital assets - net	\$ 108,626,900	\$ 3,694,675	\$ 4,183,913	\$108,137,662

3. CAPITAL ASSETS – NET (Continued)

Depreciation expense was charged to functions as follows:

Governmental Activities:

Instruction	\$ 2,775,662
Administration, attendance and health services	48,228
Pupil transportation	465,232
Operations and maintenance	51,607
Food services	<u>39,210</u>
Total governmental activities depreciation expense	<u>\$ 3,379,939</u>

Construction in progress is composed of the following at June 30, 2005:

	<u>Project authorization</u>	<u>Expended through June 30, 2004</u>	<u>Balance of authorization</u>	<u>Future requirements</u>
School projects	\$ 4,784,131	\$ 1,080,428	\$ 3,703,703	\$ -

The majority of the capital assets were donated to the School Division by the County. The County has issued general obligation bonds and obtained literary loans from the Commonwealth of Virginia on behalf of the School Division. Certain school buildings have been pledged as collateral for the literary loans.

4. LEASES

In July 1997 the School Division replaced the lighting at 9 elementary schools, 2 middle schools and 1 high school as part of an energy conservation program. The lighting was financed with a capital lease agreement that expires in October 2007.

A summary of future minimum lease payments under this capital lease together with the present value of the net minimum lease payments as of June 30, 2005, is as follows:

<u>Fiscal Year</u>	
2006	\$ 103,952
2007	100,072
2008	<u>24,412</u>
Total minimum payments	228,436
Less - amount representing interest	<u>(10,186)</u>
Present value of principal	<u>\$ 218,250</u>

The School Division leases certain equipment and office space under non-cancelable operating lease agreements. A summary of future minimum rental payments under non-cancelable operating leases as of June 30, 2005, is as follows:

Rental expenditures for the year ended June 30, 2005 for all operating leases were \$501,168.

<u>Fiscal Year</u>	
2006	\$ 294,164
2007	<u>76,769</u>
Total minimum payments	<u>\$ 370,933</u>

4. LEASES (Continued)

Lessor - The School Division leases certain land where radio towers are located. The School Division does not own the radio towers but does own the land. The radio towers are located at York Middle School, York High School, and Waller Elementary School. The School Division also leases a portion of Yorktown Middle School to the New Horizons Regional Education Center. The total cost and accumulated depreciation of the Yorktown Middle School building at June 30, 2005 is \$1,066,600 and \$681,657, respectively.

A summary of future minimum rental receipts under non-cancelable operating leases as of June 30, 2005, is as follows:

<u>Fiscal Year</u>	
2006	\$ 133,288
2007	100,288
2008	<u>78,288</u>
Total minimum receipts	<u>\$ 311,864</u>

Rental revenue for all operating leases was \$118,106 for the year ended June 30, 2005.

5. LONG-TERM LIABILITIES

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2005</u>	<u>Due within one year</u>
Compensated absences	\$ 1,550,199	\$ 1,017,626	\$ 750,775	\$ 1,817,050	\$ 1,817,050
Workers' compensation claims	1,979,810	441,481	290,193	2,131,098	600,000
Capital leases payable	<u>315,250</u>	<u>-</u>	<u>97,000</u>	<u>218,250</u>	<u>97,000</u>
Totals	<u>\$ 3,845,259</u>	<u>\$ 1,459,107</u>	<u>\$ 1,137,968</u>	<u>\$ 4,166,398</u>	<u>\$ 2,514,050</u>

Long-term liabilities are normally paid from the General Fund.

6. DEFINED BENEFIT PENSION PLANS

Virginia Retirement System (VRS)

Plan Description

The School Division contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System.

Professional and non-professional employees of the School Division are covered by the VRS. Professional employees participate in a VRS statewide teacher cost sharing pool. As of June 30, 1992, non-professional employees of the School Division are also covered by the VRS. The payroll for professional employees covered by VRS for the year ended June 30, 2005, was \$51,370,079; the total payroll was \$52,528,199. The payroll for non-professional employees covered by VRS for the year ended June 30, 2005, was \$5,714,429; the total payroll was \$6,687,810.

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of credited service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service and at age 50 with 30 years of service for participating employers, payable monthly for life, in an amount equal to 1.7% of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustments (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their web site at <http://www.varetire.org/Pdf/2003AnnuRept.pdf> or obtained by writing to the VRS at P.O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy

VRS plan members are required, by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. This 5% member contribution may be assumed by the employer. This 5% member contribution has been assumed by the School Division. In addition, the School Division is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The School Division's contribution rate for non-professional employees for the fiscal years ended 2004, 2003, and 2002 was 11.5%, 10% and 10%, respectively, of annual covered payroll, or in the amounts of \$658,200, \$614,300, and \$599,222, respectively, and was fully funded for each fiscal year. The School Division's required contribution to the teacher cost-sharing pool for the fiscal years ended 2004, 2003 and 2002 was \$5,664,731, \$4,439,787, and \$3,969,426, respectively, and was fully funded for each fiscal year.

6. **DEFINED BENEFIT PENSION PLANS (Continued)**

Annual Pension Cost

For 2005, the School Division's annual pension cost was equal to the School Division's required and actual contributions. This actuarial valuation uses the assumptions and methods that were adopted as a result of the 2000 Experience Study. In particular it uses an assumed investment return rate of 8%; an assumed annual cost of living adjustment of 3.00%; projected salary increases ranging from 4.25% - 6.10% per year depending on the members service and classification; and retirement, mortality and disability and termination rates that were also based on the 2000 Experience Study prepared for the VRS. A 3% inflation adjustment is implicit in the investment rate of return and annual cost of living adjustment. Liabilities were determined under the Entry Age Normal actuarial cost method. The actuarial value of the School Division's assets is the adjusted market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period at the rate of 20% per year. It reflects only a portion of the excess (or shortfall) between recent investment returns and the corresponding expected returns based on the 8% investment return assumption. The funding excess is being amortized as a level percentage of payroll on an open basis within a period of thirty years or less.

Contributions are recognized in the period in which amounts are due pursuant to formal commitments, and benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs are paid from the School operating fund.

York County Public Schools - Optional Plan

Description

The Optional Plan, a single employer defined benefit pension plan, provides pension benefits to non-professional employees of the School Division who were not previously covered by VRS. A fiduciary agent of the School Division administers the optional plan, which provides retirement benefits as well as death and disability benefits. As of June 30, 1992, the optional plan was frozen and the non-professional employees who participated in the plan became fully vested. The non-professional employees now participate in the VRS as noted above. Stand-alone financial reports are not issued for this plan. The optional plan's current membership, as of July 1, 2005 includes 57 active participants, 59 retirees and beneficiaries, and 8 vested terminations.

6. **DEFINED BENEFIT PENSION PLANS (Continued)**

Funding Policy

The actuarial accrued liability for the optional plan was determined as part of an actuarial valuation on June 30, 2005 using the projected unit credit actuarial cost method. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7% per year compounded annually, (b) post-retirement benefit increases of 2% per year, and (c) percentage of current retiree benefits to be paid of 100%. Because the plan is frozen, no salary increases are projected. A 2.5% inflation adjustment is implicit in the investment rate of return. The unfunded actuarial liability is being amortized over 20 years, using the closed method, and at the valuation interest rate with payments increasing 4 1/4% per year. The optional plan uses the level percentage of projected payroll payment method to amortize the unfunded liability over 20 years. The actuarial value of the Schools Division's assets is the market value of the assets, adjusted for accrued contributions and unpaid benefits. Actual contributions to the optional plan were \$200,000, \$100,000, and \$300,000, for the years ended 2004, 2003, and 2002, respectively.

Contributions are recognized in the period in which amounts are due, and benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Non-actuarial administrative costs are financed directly from the plan assets. Actuarial administrative costs are paid from the School operating fund.

Schedule of Annual Pension Costs and Employer Contributions for Optional Plan

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2000	\$ 43,413	100%
2001	\$ 41,043	100%
2002	\$ 79,598	100%
2003	\$ 82,264	100%
2004	\$ 87,912	100%
2005	\$ 96,878	100%

7. CONTINGENT LIABILITIES

Risk Management

The School Division is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School Division reports all of its risk management activities in its School Operating Fund and pays all claims for retained risks from School Operating Fund resources. The School Division maintains comprehensive property and casualty policies, commercial general liability policies, comprehensive liability vehicle fleet policies and coverages for errors and omissions, and employer's liability and certain other risks with commercial insurance companies. The School Operating Fund retains the full risk for unemployment compensation, up to \$100,000 for each health care claim and up to \$200,000 for each workers' compensation occurrence subject to a \$600,000 annual aggregate on the combined claims. All unemployment, health care claims and workers' compensation claims are paid through a third-party administrator through resources from the School Operating Fund. There have been no reductions in insurance coverages from the prior year, and settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The School board health care claim liability at June 30 is included in salaries, taxes, and benefits payable balance of the Schools Operating Fund.

The Schools had available \$1,898,917 for health care claims and \$2,131,098 for workers' compensation claims at June 30, 2005, which is considered sufficient to cover pending claims and incurred but not reported claims that may arise.

Changes in the reported amounts since June 30, 2003 resulted from the following:

	<u>2005</u>	<u>2004</u>
Accrued liability/designated fund balance – beginning of year	\$ 3,971,243	\$ 3,290,543
Claims and changes in estimates	6,941,451	6,260,991
Claims payment	<u>(6,882,679)</u>	<u>(5,580,291)</u>
Accrued liability/designated fund balance – end of year	\$ <u>4,030,015</u>	\$ <u>3,971,243</u>

7. CONTINGENT LIABILITIES (Continued)

Grants

The School Division received grant funds, principally from the State and Federal Government, for instructional and various other programs. Expenditures from these grants are subject to audit by the grantor, and the School Division is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the management of the School Division, any refunds that may be required as a result of expenditures disallowed by the grantors will not be material to the financial statements.

8. POST-RETIREMENT BENEFITS

In addition to the pension benefits described in Note 6, the School Division provides post-retirement health care benefits, in accordance with School Division policy, to all employees who retire from York County Public Schools with 100 days of accumulated sick leave, 10 years of service and a minimum of 24 months participation in the health insurance program immediately prior to retirement. Currently, 50 retirees are participating in this program. The School Division pays a monthly contribution of \$25 toward the health care program premium for a total period of time not to exceed 10 years or until the retiree is eligible for Medicare, whichever occurs first. Expenditures for post-retirement health care benefits are recognized as incurred. During the year, expenditures of \$76,416 were recognized as incurred for post-retirement health care.

9. DEFERRED COMPENSATION PLAN

The School Division offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plan, available to all School Division employees, permits them to defer a portion of their salary to future years. Participation in the plan is optional. The deferred compensation is not available to employees until separation from service, retirement, death, disability, financial hardship and/or reaching age 59 ½. The School Division offers a selection of investment options to participants. All earnings on the invested funds compound tax-free until withdrawn from the account.

10. TRANSACTIONS BETWEEN PRIMARY GOVERNMENT AND THE SCHOOL DIVISION

The following activities took place between the Primary Government and the School Division during the year ended June 30, 2005.

	Intergovernmental Revenues From the County of York
School Operating Fund	\$ 34,097,431
Capital Projects Fund	539,604
Special Revenue	<u>920</u>
	<u>\$ 34,637,955</u>

	<u>Due From</u>	<u>Due To</u>
Primary Government: General Fund	<u>\$ 10,818,455</u>	<u>\$ 182,253</u>

11. ADJUSTMENTS TO BEGINNING NET ASSETS

The beginning Net Assets in the government-wide statements have been restated to account for surplus cash reserves held in trust for health care claims and associated changes in incurred but not reported health care claims at June 30, 2004.

Adjustments to beginning net assets are as follows:

Net assets, June 30, 2004, as previously reported	\$ 109,590,477
Adjustment to Salaries, taxes and benefits payable	1,287,811
Adjustment to Prepaid expenses	<u>1,991,433</u>
Net assets, June 30, 2004, as restated	\$ 112,869,721

* * * * *

THIS PAGE LEFT BLANK INTENTIONALLY

REQUIRED SUPPLEMENTARY INFORMATION

The York County School Division
Schedule of Revenues Budget and Actual - General Fund
Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Intergovernmental:				
County of York	\$ 34,582,901	\$ 34,677,900	\$ 34,097,431	\$ (580,469)
Commonwealth of Virginia:				
State sales tax	9,246,294	9,246,294	9,306,537	60,243
Basic aid	31,543,897	31,543,897	31,003,195	(540,702)
Lottery	888,923	888,923	1,013,356	124,433
Adult education	3,712	3,712	-	(3,712)
RLCC	-	-	4,000	4,000
Foster home children	35,582	35,582	35,613	31
Gifted and talented	308,922	308,922	305,071	(3,851)
Remedial programs	195,108	195,108	192,676	(2,432)
Remedial summer school	84,341	84,341	84,586	245
Reading intervention	78,765	78,765	53,627	(25,138)
Special education-SOQ	2,056,769	2,056,769	2,031,131	(25,638)
Homebound	20,000	20,000	15,947	(4,053)
Comprehensive services act	175,000	175,000	127,043	(47,957)
Free textbooks	513,135	513,135	506,739	(6,396)
VOC ED-SOQ	317,051	317,051	313,099	(3,952)
Special education support	280,000	280,000	321,544	41,544
Employer share benefits	2,641,963	2,641,963	2,657,329	15,366
New Horizons-Regional	26,000	26,000	-	(26,000)
Other CAT/VOC ED	16,000	16,000	13,548	(2,452)
At-risk	83,551	83,551	75,449	(8,102)
K-3 initiative	137,326	137,326	129,832	(7,494)
SOL algebra readiness	27,566	27,566	27,566	-

The York County School Division
Schedule of Revenues Budget and Actual - General Fund
Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Tech Init- FY2005	544,000	544,000	544,000	-
Miscellaneous grants	457,696	457,696	180,236	(277,460)
ESL	70,263	70,263	83,093	12,830
Total from the Commonwealth of Virginia	49,751,864	49,751,864	49,025,217	(726,647)
Federal Government:				
Title I	642,942	479,313	514,811	35,498
Adult recreation	29,146	29,146	28,974	(172)
Title II A	298,835	298,835	290,995	(7,840)
Title II D	24,536	24,536	42,219	17,683
Title IV A	47,869	47,869	45,293	(2,576)
Title V A	48,824	48,824	69,129	20,305
Impact aid	8,100,000	8,100,000	8,061,817	(38,183)
Department of Defense	-	-	19,791	19,791
Title VI B	1,456,704	1,456,704	1,399,993	(56,711)
Troops to Teachers	12,027	12,027	-	(12,027)
E-Rate	75,000	75,000	136,628	61,628
NJROTC	85,000	85,000	104,071	19,071
Miscellaneous grants	496,776	921,987	550,592	(371,395)
Title IIIA	12,855	12,855	13,250	395
Total from the Federal Government	11,330,514	11,592,096	11,277,563	(314,533)
Miscellaneous revenues:				
Use of money and property	440,800	440,800	500,143	59,343
Charges for services	554,150	554,150	538,102	(16,048)
Miscellaneous	100,000	100,000	256,986	156,986
Total miscellaneous revenues	1,094,950	1,094,950	1,295,231	200,281
Total revenues and other financing sources	\$ 96,760,229	\$ 97,116,810	\$ 95,695,442	(1,421,368)

The York County School Division
Schedule of Expenditures Budget and Actual - General Fund
Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Education				
Instruction:				
Classroom instruction services:				
Regular education	\$ 47,230,429	\$ 46,740,061	\$ 45,899,658	\$ 840,403
Special education	7,035,265	6,822,761	5,985,746	837,015
Vocational education	2,939,222	2,946,655	2,635,773	310,882
Gifted and talented	302,959	308,817	299,932	8,885
Other programs	4,011,750	3,408,238	3,022,189	386,049
Instructional support-student:				
Guidance	2,476,260	2,479,013	2,344,445	134,568
Homebound	53,794	53,794	31,840	21,954
Instructional support-staff:				
Management and staff development	2,864,078	2,907,014	2,841,544	65,470
Media services	1,642,215	1,642,215	1,466,398	175,817
Instructional support- school administration:				
Principals' offices	5,950,222	5,964,733	5,782,344	182,389
School carryover	-	2,369,443	1,890,071	479,372
Total instruction	74,506,194	75,642,744	72,199,940	3,442,804
Administration, attendance and health services:				
Board services	108,900	109,900	111,366	(1,466)
Executive services	452,552	459,658	486,607	(26,949)
Communication services	303,918	353,362	323,827	29,535
Human resources	968,220	974,923	910,501	64,422
Fiscal services	874,739	829,091	752,368	76,723
Information services	1,698,348	1,766,383	1,795,603	(29,220)
Health services	1,003,692	1,028,702	993,067	35,635

The York County School Division
Schedule of Expenditures Budget and Actual - General Fund
Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Psychological services	457,302	466,161	447,911	18,250
Speech and audiology services	484,527	501,831	503,057	(1,226)
School carryover	-	102,058	80,096	21,962
Total administration, attendance and health services	6,352,198	6,592,069	6,404,403	187,666
Operating costs:				
Pupil transportation:				
Vehicle operation services	4,238,775	4,238,775	4,165,791	72,984
Vehicle maintenance services	1,452,410	1,277,410	1,110,709	166,701
School carryover	-	353,474	342,439	11,035
Total pupil transportation	5,691,185	5,869,659	5,618,939	250,720
Operations and maintenance:				
Management and direction	192,276	178,669	162,343	16,326
Building services	9,491,003	10,893,099	9,365,716	1,527,383
Vehicle services	191,676	193,311	226,063	(32,752)
Warehouse and distribution services	335,697	335,697	308,865	26,832
School carryover	-	1,021,656	960,773	60,883
Total operations and maintenance	10,210,652	12,622,432	11,023,760	1,598,672
Total operating costs	15,901,837	18,492,091	16,642,699	1,849,392
Total education	96,760,229	100,726,904	95,247,042	5,479,862
Debt Service				
Principal	-	141,538	97,000	44,538
Interest	-	-	8,189	(8,189)
Total debt service	-	141,538	105,189	36,349
Total expenditures and other financing sources	\$ 96,760,229	\$ 100,868,442	\$ 95,352,231	\$ 5,516,211

The York County School Division

Schedule of Funding Progress for Defined Pension Benefit Plans (Unaudited)

Year Ended June 30, 2005

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (AAL) -Entry Age</u>	<u>Unfunded AAL (UAAL) (Funding Excess)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL (Funding Excess) as a % of Payroll</u>
School Division Plan - Non-Professional						
June 30, 2002	\$ 6,664,536	\$ 6,788,354	\$ 123,818	98.18%	\$ 5,635,990	2.20%
June 30, 2003	\$ 7,460,867	\$ 7,724,877	\$ 264,010	96.58%	\$ 6,032,108	4.38%
June 30, 2004	\$ 8,218,016	\$ 8,705,727	\$ 487,711	94.40%	\$ 6,124,050	7.96%
Optional Plan						
June 30, 2000	\$ 1,106,125	\$ 1,603,196	\$ 497,071	68.99%	\$ -	N/A
June 30, 2001	\$ 981,289	\$ 1,631,198	\$ 649,909	60.16%	\$ -	N/A
June 30, 2002	\$ 725,405	\$ 1,726,804	\$ 1,001,399	42.01%	\$ -	N/A
June 30, 2003	\$ 1,010,494	\$ 1,765,392	\$ 754,898	57.24%	\$ -	N/A
June 30, 2004	\$ 1,078,623	\$ 1,812,950	\$ 734,327	59.50%	\$ -	N/A
June 30, 2005	\$ 1,193,367	\$ 1,855,924	\$ 662,557	64.30%	\$ -	N/A

The York County School Division
Schedule of Employer Contributions for Single-Employer
Defined Benefit Pension Plan (Unaudited)

Year Ended June 30, 2005

School Board - Optional Plan

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2000	\$ 43,413	100%
2001	41,043	100%
2002	79,598	100%
2003	82,264	100%
2004	87,912	100%
2005	96,878	100%

**THE YORK COUNTY SCHOOL DIVISION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2005

1. BUDGETARY DATA

The School Division follows these procedures in establishing the budgetary data reflected in the combined financial statements:

As required under Section 22.1-92 of the *Code of Virginia*, the Division Superintendent prepares an estimate of the amount of money deemed to be needed in the General Fund, Special Revenue Fund and Capital Projects Fund during the next fiscal year for the support of the public schools of the School Division. The estimate is required to be allocated for each major classification prescribed by the State Division of Education. Section 22.1-115 of the *Code of Virginia* states "the Division shall prescribe the following major classifications for expenditures of school funds: (i) instruction, (ii) administration, attendance and health (iii) pupil transportation, (iv) operation and maintenance, (v) school food services and other non-instructional operations, (vi) facilities, and (vii) debt and fund transfers."

The Superintendent's proposed budget is based on budget requests prepared by administrative and supervisory staff. The Superintendent also receives input from the School Division, employee associations, Parent Teacher Associations, County Administrator, etc., in formulating the budget proposal. Citizen input is provided via a public forum early in the budget process. After the Superintendent's budget is made public, the School Division conducts a public hearing on the proposed budget.

The School Division is required by state law (Section 22.1-92 of the *Code of Virginia*) to conduct a public hearing on the proposed budget to receive the views of citizens. The School Division also holds several work sessions on the proposed budget and modifies the proposed budget if necessary. The School Division must approve the budget by April 1 and submit it to the Division of Supervisors for the County of York for its approval.

The Board of Supervisors is required by state law to approve a School Division budget by May 1. If the Board of Supervisors approves a local appropriation that is less than the amount the School Division requested, the School Division must reduce the proposed budget accordingly.

1. BUDGETARY DATA *(Continued)*

The School Division appropriates funds on a major classification level and may make supplemental appropriations based on the availability of financial resources. The Division Superintendent may only authorize the transfer of funds within the major classification, the legal level of budgetary control.

Every appropriation lapses at the close of the fiscal year to the extent that it has not been expended. Funding for projects such as the capital improvement program is reappropriated annually until the project has been accomplished or abandoned.

The budgets are prepared on a basis consistent with the modified accrual basis of accounting. Budgeted amounts reflected in the required supplementary information are as originally adopted or as amended by the School Division. The General Fund's budget is adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America.

2. LEGALLY ADOPTED BUDGETS

The general, capital projects, and special revenue funds have legally adopted annual budgets.

THIS PAGE LEFT BLANK INTENTIONALLY

OTHER SUPPLEMENTARY INFORMATION

The York County School Division
Schedule of Revenues and Expenditures
Budget and Actual - Capital Projects Fund
Year Ended June 30, 2005

	<u>Capital Projects Fund</u>		Variance With Final Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	
Revenues			
Intergovernmental:			
From the County of York	\$ 1,464,604	\$ 539,604	\$ (925,000)
From the Commonwealth of Virginia	1,157,329	1,156,607	(722)
From the Federal Government	494,000	503,538	9,538
Revenue from the use of money	75,000	28,691	(46,309)
Total revenues	<u>\$ 3,190,933</u>	<u>\$ 2,228,440</u>	<u>\$ (962,493)</u>
Expenditures			
Capital outlay	\$ 5,278,131	\$ 3,116,248	\$ 2,161,883
Total expenditures	<u>\$ 5,278,131</u>	<u>\$ 3,116,248</u>	<u>\$ 2,161,883</u>

The York County School Division
Schedule of Revenues and Expenditures
Budget and Actual - Non-major Special Revenue Fund
Year Ended June 30, 2005

	School Food Service Fund			Variance With Final Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
From the County of York	\$ -	\$ -	\$ 920	\$ 920
From the Commonwealth of Virginia	55,000	55,000	54,920	(80)
From the Federal Government	880,000	880,000	942,366	62,366
Revenue from the use of money	20,000	20,000	7,533	(12,467)
Charges for services	3,042,473	3,042,473	2,646,324	(396,149)
Miscellaneous	-	-	169,200	169,200
Total revenues	\$ 3,997,473	\$ 3,997,473	\$ 3,821,263	\$ (176,210)
Expenditures				
Food Services:				
Contractual services and purchases for resale	\$ 1,800,000	\$ 2,247,882	\$ 2,430,714	\$ (182,832)
Donated commodities	200,000	200,000	163,911	36,089
Salaries and wages	1,222,678	924,796	883,263	41,533
Fringe benefits	429,375	429,375	333,068	96,307
Repairs and maintenance	30,420	30,420	5,981	24,439
Materials and supplies	150,000	-	1,558	(1,558)
Equipment replacement	155,000	155,000	1,377	153,623
Employee development	5,000	5,000	2,883	2,117
Travel	5,000	5,000	1,119	3,881
School carryover	-	-	50	(50)
Total expenditures	\$ 3,997,473	\$ 3,997,473	\$ 3,823,924	\$ 173,549

The York County School Division
Agency Fund - School Activity Funds
Schedule of Changes in Assets and Liabilities

Year Ended June 30, 2005

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
Assets				
Cash and temporary investments	\$ 1,273,457	\$ 5,637,519	\$ 5,547,413	\$ 1,363,563
Liabilities				
Amounts held for others	\$ 1,273,457	\$ 5,637,519	\$ 5,547,413	\$ 1,363,563

COMPLIANCE SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

**THE YORK COUNTY SCHOOL DIVISION
GOVERNMENT-WIDE EXPENSES BY FUNCTION**

Last Three Fiscal Years

<u>Fiscal Year</u>	<u>Instruction</u>	<u>Administration Attendance and Health Services</u>	<u>Pupil Transportation</u>	<u>Operations and Maintenance</u>	<u>Food Services</u>	<u>Interest on Capital Leases</u>	<u>Capital Projects</u>	<u>Total</u>
2005	\$ 73,552,957	\$ 6,412,274	\$ 5,242,264	\$ 10,918,247	\$ 3,852,601	\$ 8,189	\$ 3,116,248	\$ 103,102,780
2004	\$ 67,771,930	\$ 5,837,793	\$ 4,968,615	\$ 10,145,537	\$ 3,455,830	\$ 18,933	\$ 4,589,948	\$ 96,788,586
2003	\$ 60,683,276	\$ 5,564,214	\$ 4,534,200	\$ 9,129,334	\$ 2,620,622	\$ 23,975	\$ 2,782,478	\$ 85,338,099

Note : The York County School Division implemented GASB 34 in Fiscal Year 2003, which required the addition of the above financial information.
Thus, financial information for fiscal years prior to 2003 is not available.

Source : York County School Division

**THE YORK COUNTY SCHOOL DIVISION
GOVERNMENT-WIDE REVENUES BY SOURCE**

Last Three Fiscal Years

<u>Fiscal Year</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>County of York</u>	<u>Intergovernmental Revenues</u>	<u>Revenues from the Use of Money and Property</u>	<u>Miscellaneous</u>	<u>Total</u>
2005	\$ 3,184,426	\$ 51,993,529	\$ 1,660,145	\$ 34,637,955	\$ 9,306,537	\$ 536,367	\$ 426,186	\$ 101,745,145
2004	\$ 2,779,913	\$ 46,002,007	\$ 1,623,841	\$ 35,808,975	\$ 7,940,139	\$ 512,158	\$ 226,840	\$ 94,893,873
2003	\$ 2,427,724	\$ 45,670,293	\$ 1,188,266	\$ 37,698,293	\$ 7,291,952	\$ 580,480	\$ 124,877	\$ 94,981,885

Note : The York County School Division implemented GASB 34 in Fiscal Year 2003, which required the addition of the above financial information.
Thus, financial information for fiscal years prior to 2003 is not available.

Source : York County School Division

**THE YORK COUNTY SCHOOL DIVISION
GENERAL FUND EXPENDITURES BY FUNCTION**

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Instruction</u>	<u>Administration Attendance and Health Services</u>	<u>Pupil Transportation</u>	<u>Operations and Maintenance</u>	<u>Debt Service</u>	<u>Intergover- mental (1)</u>	<u>Total</u>
2005	\$ 72,199,940	\$ 6,404,403	\$ 5,618,939	\$ 11,023,760	\$ 105,189	\$ -	\$ 95,352,231
2004	\$ 64,156,077	\$ 5,907,512	\$ 5,101,840	\$ 10,111,467	\$ 115,933	\$ -	\$ 85,392,829
2003	\$ 60,385,900	\$ 5,429,175	\$ 4,858,132	\$ 8,950,532	\$ 120,975	\$ -	\$ 79,744,714
2002	\$ 56,268,252	\$ 4,705,618	\$ 3,961,244	\$ 8,022,027	\$ 125,983	\$ 2,201,511	\$ 75,284,635
2001	\$ 55,176,078	\$ 4,250,250	\$ 4,672,831	\$ 7,673,108	\$ 131,128	\$ 2,049,741	\$ 73,953,136
2000	\$ 52,292,947	\$ 3,763,534	\$ 3,583,816	\$ 6,958,758	\$ 135,967	\$ 2,718,753	\$ 69,453,775
1999	\$ 47,244,857	\$ 3,271,627	\$ 3,140,159	\$ 6,953,359	\$ 4,116,037	\$ 3,393,761	\$ 68,119,800
1998	\$ 44,112,068	\$ 2,637,881	\$ 3,245,285	\$ 7,712,139	\$ 973,750	\$ 2,922,381	\$ 61,603,504
1997	\$ 41,676,475	\$ 2,344,082	\$ 3,033,129	\$ 6,590,868	\$ 1,072,838	\$ 1,084,368	\$ 55,801,760
1996	\$ 37,921,721	\$ 1,930,876	\$ 2,324,950	\$ 6,152,276	\$ 688,947	\$ 3,546,938	\$ 52,565,708

Note (1): 2003 conversion to GASB34 allocated intergovernmental expenditures directly to the individual functions

Source : York County School Division
Comprehensive Annual Financial Reports Fiscal Years 1996-2005

**THE YORK COUNTY SCHOOL DIVISION
GENERAL FUND REVENUES BY SOURCE**

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>County of York</u>	<u>Commonwealth of Virginia</u>	<u>Federal Government</u>	<u>Miscellaneous</u>	<u>Total</u>
2005	\$ 34,097,431	\$ 49,025,217	\$ 11,277,563	\$ 1,295,231	\$ 95,695,442
2004	\$ 30,755,430	\$ 42,408,659	\$ 10,620,617	\$ 1,219,533	\$ 85,004,239
2003	\$ 27,385,364	\$ 41,738,660	\$ 10,369,003	\$ 1,085,567	\$ 80,578,594
2002	\$ 28,136,796	\$ 38,736,624	\$ 9,221,393	\$ 1,170,061	\$ 77,264,874
2001	\$ 26,883,868	\$ 37,512,014	\$ 8,838,647	\$ 1,142,285	\$ 74,376,814
2000	\$ 25,225,802	\$ 34,874,235	\$ 8,182,836	\$ 1,133,802	\$ 69,416,675
1999	\$ 27,557,879	\$ 32,478,758	\$ 8,215,508	\$ 1,007,528	\$ 69,259,673
1998	\$ 21,722,006	\$ 30,868,785	\$ 7,016,814	\$ 851,783	\$ 60,459,388
1997	\$ 20,775,293	\$ 29,353,453	\$ 5,308,653	\$ 905,136	\$ 56,342,535
1996	\$ 17,765,708	\$ 26,781,895	\$ 7,371,165	\$ 645,265	\$ 52,564,033

Source : York County School Division
Comprehensive Annual Financial Reports Fiscal Years 1996-2005

THE YORK COUNTY SCHOOL DIVISION
PROPERTY TAX LEVIES AND COLLECTIONS FOR THE COUNTY OF YORK, VIRGINIA

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy (1)</u>	<u>Current Tax Collections (2)</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections To Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Total Tax Collections To Tax Levy</u>
2005	\$ 65,863,726	\$ 63,315,662	96.13%	\$ 2,209,497	\$ 65,525,159	99.49%	\$ 4,403,617	6.69%
2004	\$ 60,823,449	\$ 58,099,636	95.52%	\$ 1,997,221	\$ 60,096,857	98.81%	\$ 4,915,038	8.08%
2003	\$ 57,471,361	\$ 55,134,210	95.93%	\$ 1,403,411	\$ 56,537,621	98.38%	\$ 4,014,605	6.99%
2002	\$ 53,335,585	\$ 51,353,839	96.28%	\$ 1,632,225	\$ 52,986,064	99.34%	\$ 3,490,959	6.55%
2001	\$ 50,512,862	\$ 48,624,757	96.26%	\$ 1,596,750	\$ 50,221,507	99.42%	\$ 3,287,898	6.51%
2000	\$ 47,039,600	\$ 44,889,391	95.43%	\$ 1,727,377	\$ 46,616,768	99.10%	\$ 3,328,419	7.08%
1999	\$ 44,071,970	\$ 42,685,249	96.85%	\$ 1,204,501	\$ 43,889,750	99.59%	\$ 2,344,220	5.32%
1998	\$ 46,709,768	\$ 45,569,100	97.56%	\$ 1,324,031	\$ 46,893,131	100.39%	\$ 1,903,637	4.08%
1997	\$ 38,420,788	\$ 37,802,304	98.39%	\$ 819,519	\$ 38,621,823	100.52%	\$ 1,371,253	3.57%
1996	\$ 35,805,245	\$ 35,098,834	98.03%	\$ 789,877	\$ 35,888,711	100.23%	\$ 1,648,828	4.60%

(1) - Effective 1995, the County implemented twice a year real estate tax collections. Total tax levy through June 30, 1995 was \$13,214,104.
Effective 1998, the County implemented twice a year personal property tax collections. Total tax levy through June 30, 1998 was \$ 5,835,850.

(2) - Includes the Commonwealth's reimbursement from the Personal Property Tax Relief Act (Virginia State Code, Title 58.1, Chapter 35).

(3) - Fiscal Years 1999 and 2000, the Total Tax Levy was restated from previous years reported assessments.

Source :County of York, Virginia
Comprehensive Annual Financial Reports Fiscal Years 1996-2005

THE YORK COUNTY SCHOOL DIVISION
ASSESSED VALUE OF TAXABLE PROPERTY FOR THE COUNTY OF YORK, VIRGINIA

Last Ten Fiscal Years

Fiscal Year	Public Utility			Real Estate	Personal Property	CPC Equipment	Total	Ratio of Total Assessed to Total Estimated Actual Value
	Real Estate	Personal Property	Mobile Home					
2005	\$ 5,342,391,200	\$ 438,975,665	\$ 4,533,300	\$ 308,441,261	\$ 195,614	\$ 108,900,347	\$ 6,203,437,387	100.00%
2004	\$ 5,177,858,100	\$ 389,936,240	\$ 4,048,700	\$ 311,750,291	\$ 103,116	\$ 83,427,310	\$ 5,967,123,757	100.00%
2003	\$ 4,332,695,900	\$ 372,586,710	\$ 4,483,220	\$ 383,517,402	\$ 81,725	\$ 47,572,000	\$ 5,140,936,957	100.00%
2002	\$ 4,164,948,589	\$ 357,154,465	\$ 5,499,500	\$ 373,094,854	\$ 67,399	\$ 45,232,394	\$ 4,945,997,201	100.00%
2001	\$ 3,731,519,800	\$ 341,671,410	\$ 5,499,500	\$ 396,014,109	\$ 75,058	\$ 48,741,804	\$ 4,523,521,681	100.00%
2000	\$ 3,593,618,963	\$ 343,064,595	\$ 4,977,800	\$ 384,314,309	\$ 76,790	\$ 45,963,521	\$ 4,372,015,978	100.00%
1999	\$ 3,290,329,596	\$ 283,997,377	\$ 4,308,423	\$ 405,887,634	\$ 72,600	\$ 47,599,984	\$ 4,032,195,614	100.00%
1998	\$ 3,145,948,869	\$ 265,019,266	\$ 3,660,950	\$ 396,069,366	\$ 90,318	\$ 45,779,343	\$ 3,856,568,112	100.00%
1997	\$ 2,971,921,465	\$ 208,420,993	\$ 3,269,862	\$ 398,953,489	\$ 105,708	\$ 47,014,196	\$ 3,629,685,713	100.00%
1996	\$ 2,785,964,680	\$ 186,093,039	\$ 3,651,754	\$ 408,445,317	\$ 101,547	\$ 44,838,830	\$ 3,429,095,167	100.00%

Source :County of York, Virginia
 Comprehensive Annual Financial Reports Fiscal Years 1996-2005

**THE YORK COUNTY SCHOOL DIVISION
PROPERTY TAX RATES OF THE COUNTY OF YORK, VIRGINIA**

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Real Estate (1) (2) (3)</u>	<u>Personal Property (1)</u>	<u>Mobile Home (1) (3)</u>	<u>CPC Equipment (1) (3)</u>
2005	0.8175	4.00	0.8175	0.654
2004	0.86/0.8175	4.00	0.86/0.8175	0.688/0.654
2003	0.860	4.00	0.860	0.69
2002	0.860	4.00	0.860	0.69
2001	0.860	4.00	0.860	0.69
2000	0.860	4.00	0.860	0.69
1999	0.860	4.00	0.860	0.69
1998	0.860	4.00	0.860	0.69
1997	0.860	4.00	0.860	0.69
1996	0.860	4.00	0.860	0.69

(1) Tax rate per \$100 of assessed valuation.

(2) The amount designated for school operating is \$.637 for fiscal year 2004.

(3) The tax rate, 1st half/2nd half

Note: The County has no overlapping taxes with other governments.

Source :County of York, Virginia
Comprehensive Annual Financial Reports Fiscal Years 1996-2005

THE YORK COUNTY SCHOOL DIVISION
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA

Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value	Gross Bonded Debt	Debt Service Monies Available	Less			Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
					Debt Payable From					
					Enterprise Fund Revenue Bonds	Enterprise Fund Advance Refunding Bonds	Enterprise Fund General Obligation Bonds			
2005	63,200	\$ 6,203,437,387	\$ 71,191,722	\$ -	\$ 1,311,722	\$ 8,575,000	\$ -	\$ 61,305,000	0.0099	970
2004	62,300	\$ 5,967,123,757	\$ 74,920,721	\$ -	\$ 9,310,721	\$ -	\$ -	\$ 65,610,000	0.0110	1,053
2003	61,000	\$ 5,140,936,957	\$ 57,484,287	\$ -	\$ 9,484,287	\$ -	\$ -	\$ 48,000,000	0.0093	787
2002	59,400	\$ 4,945,997,201	\$ 53,102,440	\$ 703	\$ 9,652,440	\$ -	\$ 69,600	\$ 43,379,697	0.0088	730
2001	58,500	\$ 4,523,521,681	\$ 52,610,900	\$ 1,119	\$ 9,810,200	\$ -	\$ 142,100	\$ 42,657,481	0.0094	729
2000	56,297	\$ 4,372,015,978	\$ 55,608,186	\$ 1,083	\$ 9,962,586	\$ -	\$ 217,500	\$ 45,427,017	0.0104	807
1999	55,600	\$ 4,032,195,614	\$ 49,552,066	\$ 531,706	\$ 569,616	\$ -	\$ 295,800	\$ 48,154,944	0.0119	866
1998	54,400	\$ 3,856,568,112	\$ 52,763,107	\$ 977,413	\$ 576,307	\$ -	\$ 359,600	\$ 50,849,787	0.0132	935
1997	53,300	\$ 3,629,685,713	\$ 40,734,476	\$ 994,931	\$ 582,676	\$ 410,000	\$ 426,300	\$ 38,320,569	0.0106	719
1996	52,100	\$ 3,429,095,167	\$ 43,960,538	\$ 948,226	\$ 588,738	\$ 800,000	\$ 495,900	\$ 41,127,674	0.0120	789

(1) County of York-Planning Division, except for fiscal year 2000 - U.S. Department of Commerce, Bureau of the Census

(2) The County has no overlapping debt.

(3) The County's revenue bonds are also pledged against the full faith and credit of the Sanitary District and contain no specific revenue bond covenants

Source :County of York, Virginia
 Comprehensive Annual Financial Reports Fiscal Years 1996-2005

THE YORK COUNTY SCHOOL DIVISION
RATIO OF ANNUAL DEBT SERVICE FOR GENERAL BONDED DEBT TO
TOTAL GENERAL EXPENDITURES FOR THE COUNTY OF YORK, VIRGINIA

Last Ten Fiscal Years

Fiscal Year	Primary Government		Component Unit - School Board		Total Debt Service	Total General Expenditures	Ratio of Service to Expenditures
	Principal	Interest	Principal	Interest			
2005	1,170,000	\$ 744,488	\$ 3,135,000	\$ 2,270,903	\$ 7,320,391	\$ 194,533,290	3.8%
2004	810,000	\$ 531,873	\$ 2,835,000	\$ 2,270,155	\$ 6,447,028	\$ 178,657,862	3.6%
2003	515,400	\$ 160,139	\$ 2,580,000	\$ 1,987,837	\$ 5,243,376	\$ 169,617,600	3.1%
2002	207,500	\$ 57,008	\$ 2,600,700	\$ 1,969,637	\$ 4,834,845	\$ 124,338,675	3.9%
2001	214,600	\$ 57,008	\$ 2,554,900	\$ 2,388,227	\$ 5,214,735	\$ 120,242,156	4.3%
2000	681,700	\$ 79,456	\$ 2,711,806	\$ 2,787,844	\$ 6,260,806	\$ 111,812,012	5.6%
1999	646,200	\$ 113,607	\$ 2,494,350	\$ 2,784,329	\$ 6,038,486	\$ 107,584,760	5.6%
1998	218,300	\$ 134,052	\$ 2,270,000	\$ 2,036,329	\$ 4,658,681	\$ 97,909,169	4.8%
1997	220,400	\$ 142,201	\$ 2,540,000	\$ 2,166,603	\$ 5,069,204	\$ 91,364,655	5.5%
1996	225,400	\$ 151,893	\$ 2,520,000	\$ 2,301,854	\$ 5,199,147	\$ 84,957,001	6.1%

(1) Includes General, Special Revenue and Debt Service Funds from the Primary Government and the School Operating and Food Service Funds from the Component Unit

Source :County of York, Virginia
 Comprehensive Annual Financial Reports Fiscal Years 1996-2005

**THE YORK COUNTY SCHOOL DIVISION
DEMOGRAPHIC STATISTICS FOR THE COUNTY OF YORK, VIRGINIA**

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population (2)</u>	<u>Per Capita Income (1)</u>	<u>Unemployment Rate (3)</u>
2005	63,200	36,260.00	3.2%
2004	62,300	34,340.00	2.3%
2003	61,000	31,400.00	2.5%
2002	59,400	30,700.00	2.6%
2001	58,500	27,900.00	1.8%
2000	56,297	27,030.00	2.2%
1999	55,600	25,922.00	2.1%
1998	54,400	24,970.00	2.5%
1997	53,300	23,792.00	3.5%
1996	52,100	22,491.00	3.5%

- (1) Represents the combined Per Capita Income for the County of York and the City of Poquoson. County of York - Department of Financial & Management Services for the fiscal years 2002-2003. U.S. Bureau of Economic Analysis for 1994-2001.
- (2) County of York - Planning Division, except for Fiscal year 2000 - U.S. Department of Commerce, Bureau of the Census.
- (3) Virginia Employment Commission

Source :County of York, Virginia
Comprehensive Annual Financial Reports Fiscal Years 1996-2005

**THE YORK COUNTY SCHOOL DIVISION
BANK DEPOSITS, RESIDENTIAL AND COMMERCIAL CONSTRUCTION
FOR THE COUNTY OF YORK, VIRGINIA**

Last Ten Calendar Years

Calendar Year	Bank Deposits (2)	Building Permits (1)			
		Residential		Commercial and Industrial	
		Number	Value	Number	Value
2005	\$ -	1,511	\$ 92,101,773	\$ 4,602	\$ 69,204,000
2004	\$ 509,000,000	2,150	\$ 96,294,361	\$ 4,541	\$ 61,825,886
2003	\$ 374,000,000	5,979	\$ 117,627,859	\$ 131	\$ 19,775,459
2002	\$ 300,025,000	5,260	\$ 101,825,775	\$ 101	\$ 22,541,983
2001	\$ 270,828,000	6,103	\$ 92,124,207	\$ 95	\$ 10,048,969
2000	\$ 275,632,000	6,674	\$ 106,765,134	\$ 170	\$ 23,427,493
1999	\$ 266,821,000	6,293	\$ 87,076,997	\$ 157	\$ 18,818,125
1998	\$ 208,665,000	4,802	\$ 68,916,103	\$ 146	\$ 46,445,956
1997	\$ 245,123,000	4,760	\$ 57,812,405	\$ 106	\$ 11,187,358
1996	\$ 230,845,000	4,827	\$ 59,565,886	\$ 83	\$ 13,914,590

(1) Building Regulation Division

(2) Bank Deposits for 2004 are not available.
Source: Federal Deposit Insurance Corporation

Note: Commercial and industrial components of total assessed real property could not be determined individually. For total value, see Assessed Value of Taxable Property.

Source : County of York, Virginia
Comprehensive Annual Financial Reports Fiscal Years 1996-2005

**THE YORK COUNTY SCHOOL DIVISION
PRINCIPAL PROPERTY TAXPAYERS FOR THE COUNTY OF YORK, VIRGINIA**

June 30, 2005

Taxpayer	Description	2004 Assessed Valuation	Total Tax	Percentage of Total Assessed Valuation
Virginia Power Company	Generating Plant	\$ 344,878,615	\$ 2,641,331	5.70%
Giant Industries	Refinery	\$ 84,544,880	\$ 1,595,259	1.40%
Lawyers Title Insurance Co./Fairfield Communities	Fairfield Condominiums	\$ 119,054,750	\$ 984,652	1.97%
City of Newport News	Water System	\$ 74,480,000	\$ 608,874	1.23%
Anheuser Busch Companies	Busch properties	\$ 45,456,605	\$ 414,075	0.75%
Wal Mart	Retail Sales	\$ 32,243,390	\$ 312,660	0.53%
Philip Morris Inc.	Manufacturer	\$ 14,586,445	\$ 297,214	0.24%
Kings Creek Plantation	Timeshare Condominiums	\$ 29,906,950	\$ 247,985	0.49%
Verizon Virginia Inc.	Telephone Company	\$ 24,012,735	\$ 196,404	0.40%
Kiln Creek Shopping Center	Retail Sales	\$ 20,051,400	\$ 163,920	0.33%
	Total	\$ 789,215,770	\$ 7,462,374	13.04%

Source : County of York, Virginia
Commissioner of Revenue of the County of York, Virginia

**THE YORK COUNTY SCHOOL DIVISION
MISCELLANEOUS STATISTICAL DATA**

June 30, 2005

	ADM(1)	ADA(2)	% of ADM
Bethel Manor Elementary	623	600	96.3%
Coventry Elementary	638	620	97.2%
Dare Elementary	345	333	96.5%
Grafton Bethel Elementary	628	606	96.5%
Magruder Elementary	519	497	95.8%
Mt. Vernon Elementary	504	489	97.0%
Seaford Elementary	496	478	96.4%
Tabb Elementary	612	594	97.1%
Waller Mill Elementary	275	263	95.6%
Yorktown Elementary	512	492	96.1%
Grafton Middle	977	942	96.4%
Queens Lake Middle	483	463	95.9%
Tabb Middle	933	901	96.6%
Yorktown Middle	670	644	96.1%
Bruton High	687	656	95.5%
Grafton High	1,252	1,208	96.5%
Tabb High	1,294	1,245	96.2%
York High	955	911	95.4%
York River Academy	39	37	94.9%
	<u>12,442</u>	<u>11,979</u>	96.3%

(1) Average Daily Membership (unadjusted) By School (2004-2005)

(2) Average Daily Attendance

Source: York County School Division

**THE YORK COUNTY SCHOOL DIVISION
MISCELLANEOUS STATISTICAL DATA**

June 30, 2005

Full Time Equivalents by Position:

Athletic Directors	4
Board Members	5.00
Bus Drivers	130.00
Bus Driver Assistants	21.00
Cafeteria Monitors	3.00
Chief Financial Officer	1.00
Clerical	65.25
Clerk of the Board	1.00
Clinic Aides	2.00
Crossing Guards	3.50
Custodians	85.80
Directors	9.25
Food Service Personnel	95.00
Guidance Counselors	33.50
Instructors	10.00
Librarians	18.00
Mechanics	7.00
Nurses	16.00
Occupational Therapists	3.00
Para-Educators	258.93
Physical Therapists	1.00
Principals	20.00
Principals (Assistants)	23.00
Psychologists	10.00
Superintendent	1.00
Superintendent (Assistant)	1.00
Teachers	818.32
Technical	99.22
Trades	23.00
Total Full Time Equivalents	<u>1,768.77</u>

Source: York County School Division

**THE YORK COUNTY SCHOOL DIVISION
MISCELLANEOUS STATISTICAL DATA**

June 30, 2005

<u>Fiscal Year</u>	<u>School Facilities</u>	<u>Student Average Daily Membership</u>
1996	16	10,746
1997	18	10,884
1998	18	11,159
1999	18	11,434
2000	18	11,654
2001	18	11,750
2002	18	12,010
2003	19 *	12,184
2004	19 *	12,363
2005	19 *	12,442

* Includes York River Academy Charter School

Description	Surety Bond Coverage
School Division employee honesty bond	<u>\$1,000,000</u>

Source: York County School Division

STATISTICAL SECTION
(Unaudited)

THIS PAGE LEFT BLANK INTENTIONALLY



***Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards***

Members of the School Board
York County School Division

We have audited the basic financial statements of the York County School Division, a component unit of the County of York, Virginia, as of and for the year ended June 30, 2005, and have issued our report thereon dated October 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the York County School Division's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the York County School Division's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of York County School Division, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Robert J. Holland, LLP

Richmond, Virginia
October 7, 2005



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
COMMONWEALTH OF VIRGINIA'S LAWS, REGULATIONS,
CONTRACTS AND GRANTS**

Members of the School Board
York County School Division

We have audited the basic financial statements of the York County School Division, a component unit of the County of York, Virginia, as of and for the year ended June 30, 2005, and have issued our report thereon dated October 7, 2005.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the York County School Division's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, the objective of our audit of the basic financial statements was not to provide an opinion on overall compliance with such provisions, and accordingly, we do not express such an opinion.

The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

<u>Code of Virginia</u>		<u>State Agency Requirements</u>
Budget and Appropriation Laws	Retirement	Education
Cash and Investments	Procurement	
Conflicts of Interest	Unclaimed Property	

The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph.

This report is intended solely for the information of the York County School Division, management, the Auditor of Public Accounts and applicable state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Richmond, Virginia
October 7, 2005

Cherry. Sekant :i Holland, LLP

THIS PAGE LEFT BLANK INTENTIONALLY